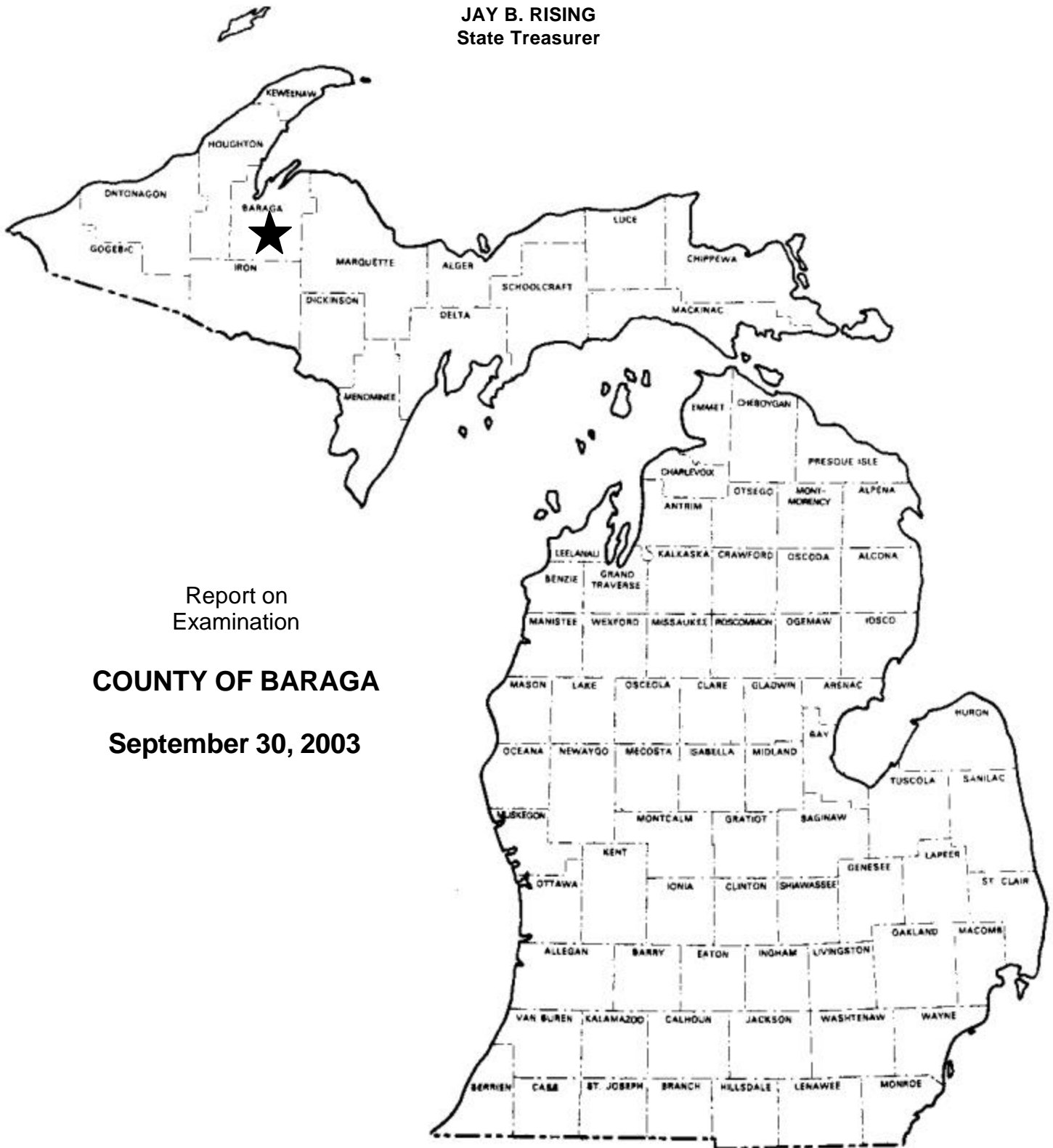


**STATE OF MICHIGAN**  
JENNIFER M. GRANHOLM, Governor  
**DEPARTMENT OF TREASURY**

JAY B. RISING  
State Treasurer



Local Audit and Finance Division  
Bureau of Local Government Services

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BARAGA COUNTY  
BOARD OF COMMISSIONERS

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Chairperson

Gale Eilola

Roland A. Sweeney

Larry Menard

Daune Smith

COURT JUDGES

Garfield W. Hood  
Circuit Judge

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Probate Judge

Phillip L. Kukkonen  
District Judge

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Treasurer

Wendy J. Goodreau  
Clerk/Register of Deeds

Charles Sliger  
Mine Inspector

Robert J. Teddy  
Sheriff

Joseph P. O'Leary  
Prosecuting Attorney

COUNTY POPULATION--2000  
8,746

STATE EQUALIZED VALUATION--2003  
\$245,698,873



JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

JAY B. RISING  
STATE TREASURER

January 30, 2004

County of Baraga  
County Board of Commissioners  
16 North 3rd Street  
L'Anse, Michigan 49946

Independent Auditor's Report

Dear Commissioners:

We have audited the accompanying general purpose financial statements of Baraga County, Michigan, as of and for the year ended September 30, 2003, as listed in the Table of Contents. These general purpose financial statements are the responsibility of Baraga County's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the County Hospital (component unit--enterprise fund type), which statements reflect total assets of \$13,611,626 as of September 30, 2003 and total revenues of \$17,128,564 for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the general purpose financial statements, insofar as it relates to the amounts included for the County Hospital, (component unit--enterprise fund type), is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

As described more fully in Note A, the county has not maintained a record of its general fixed assets except those recorded by the Road Commission. The statement of general fixed assets included in this report does not include all of the general fixed assets of the county, as required by accounting principles generally accepted in the United States of America. Determination of the value of the county's general fixed assets was not possible.

In our opinion, except for the omission of the financial statements explained in the third paragraph which results in an incomplete presentation and based on our audit and the report of other auditors, the general purpose financial statements referred to above presents fairly, in all material respects, the financial position of Baraga County as of September 30, 2003 and the results of its operations and the cash flows of its proprietary fund types for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued reports dated January 30, 2004, on our consideration of Baraga County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of Baraga County, taken as a whole. The accompanying supplemental and related information in Exhibits H thru R are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of Baraga County. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements, taken as a whole. The Schedule of Expenditures of Federal Awards (Schedule 1) and the Schedule of Questioned Costs (Schedule 2) are presented for purposes of additional analysis as required by US Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and are not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements, taken as a whole.



Cary Jay Vaughn, CPA, CGFM  
Audit Manager  
Local Audit and Finance Division

COUNTY OF BARAGA

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**BARAGA COUNTY**  
**COMBINED BALANCE SHEET--ALL FUND TYPES, ACCOUNT GROUPS**  
**AND DISCRETELY PRESENTED COMPONENT UNITS**  
**September 30, 2003**

**EXHIBIT A**

	<u>GOVERNMENTAL FUND TYPES</u>			<u>PROPRIETARY FUND TYPE</u>	<u>FIDUCIARY FUND TYPE</u>	<u>ACCOUNT GROUP</u>	<u>TOTAL (MEMORANDUM ONLY)</u>		<u>TOTAL (MEMORANDUM ONLY)</u>
	General	Special Revenue	Debt Service	Enterprise Fund	Trust and Agency	General Long-Term Debt	Primary Government	Discrete Component Units	Reporting Entity
<b><u>ASSETS</u></b>									
Cash and Cash Equivalents	\$ 460,726	\$ 260,466	\$ 512,840	\$ 76,659	\$ 510,034		\$ 1,820,725	\$ 3,281,318	\$ 5,102,043
Investments							-	101,579	101,579
Receivables									
Taxes--Current	33,546	3,684	13,338				50,568		50,568
Taxes--Delinquent				282,645			282,645		282,645
Accounts (Net of Estimated Uncollectibles)				801			801	2,179,244	2,180,045
Third-Party Payor Settlement							-	605,822	605,822
Due From State of Michigan	77,281	19,620					96,901		96,901
Due From Other Units of Government	6,528						6,528		6,528
Due From Other Funds--Primary Government				186,000			186,000	437,277	623,277
Inventories (At Cost)							-	694,485	694,485
Prepaid Expenses	31,224						31,224	188,710	219,934
Fixed Assets (Net of Accumulated Depreciation)							-	9,424,564	9,424,564
Amount Available in Debt Service Funds						\$ 512,840	512,840	78	512,918
Amount to be Provided for									
Retirement of General Long-Term Debt						2,162,146	2,162,146	3,564,943	5,727,089
Total Assets	\$ 609,305	\$ 283,770	\$ 526,178	\$ 546,105	\$ 510,034	\$ 2,674,986	\$ 5,150,378	\$ 20,478,020	\$ 25,628,398

**LIABILITIES AND FUND EQUITY**

Liabilities									
Accounts Payable	\$ 73,257	\$ 19,367					\$ 92,624	\$ 529,868	\$ 622,492
Due to Other Funds				\$ 186,000			186,000		186,000
Due to Component Units			\$ 437,277				437,277		437,277
Due to Third-Party Payors							-	183,631	183,631
Due to Schools					\$ (290)		(290)		(290)
Due to Townships					1,979		1,979		1,979
Due to Villages					307		307		307
Due to State of Michigan		817		210	223,765		224,792	158,434	383,226
Current Installments on									
Long-Term Debt							-	308,144	308,144
Accrued Liabilities	8,172						8,172	1,250,229	1,258,401



BARAGA COUNTY  
COMBINED BALANCE SHEET--ALL FUND TYPES, ACCOUNT GROUPS  
AND DISCRETELY PRESENTED COMPONENT UNITS  
September 30, 2003

EXHIBIT A  
(CONTINUED)

	GOVERNMENTAL FUND TYPES			PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPE	ACCOUNT GROUP	TOTAL (MEMORANDUM ONLY)	Discrete Component Units	TOTAL (MEMORANDUM ONLY)
	General	Special Revenue	Debt Service	Enterprise Fund	Trust and Agency	General Long-Term Debt	Primary Government		Reporting Entity
<b>LIABILITIES AND FUND EQUITY (Continued)</b>									
Undistributed Penal Fines					14,402		14,402		14,402
Undistributed Interest					45		45		45
Undistributed Tax Collections					239,257		239,257		239,257
Other Trust Items Payable					30,569		30,569		30,569
Advances--State of Michigan							-		-
Advances--Other							-	4,434	4,434
Deferred Revenue--Taxes	33,546	3,684	13,338				50,568		50,568
Deferred Revenue--Other	3,186	16,252					19,438		19,438
Long-Term Debt									
Less Current Maturities							-	4,029,165	4,029,165
Bonds Payable						\$ 2,580,000	2,580,000	2,457,000	5,037,000
Installment Loans Payable								763,140	763,140
Vested Employee Benefits Payable						94,986	94,986	344,881	439,867
Total Liabilities	118,161	40,120	450,615	186,210	510,034	2,674,986	3,980,126	10,028,926	14,009,052
Fund Equity									
Investment in General									
Fixed Assets							-	1,483,793	1,483,793
Fund Balances									
Reserved for									
Inventory								494,171	494,171
Debt Service			75,563				75,563	78	75,641
Act 302 Training	2,398						2,398		2,398
Family Counseling	14,542						14,542		14,542
Self-Insurance							-	216,901	216,901
Designated for Construction							-	1,902	1,902
Unreserved--Undesignated	474,204	243,650					717,854	816,020	1,533,874
Retained Earnings									
Unreserved				359,895			359,895	7,436,229	7,796,124
Total Fund Equity	491,144	243,650	75,563	359,895	-	-	1,170,252	10,449,094	11,619,346
Total Liabilities and Fund Equity	\$ 609,305	\$ 283,770	\$ 526,178	\$ 546,105	\$ 510,034	\$ 2,674,986	\$ 5,150,378	\$ 20,478,020	\$ 25,628,398

The Notes to Financial Statements are an integral part of this statement.

**BARAGA COUNTY**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES--ALL GOVERNMENTAL FUND TYPES AND**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**For the Fiscal Year Ended September 30, 2003**

**EXHIBIT B**

	<b>GOVERNMENTAL FUNDS</b>			<b>TOTAL (MEMORANDUM ONLY)</b>		<b>TOTAL (MEMORANDUM ONLY)</b>
	General	Special Revenue	Debt Service	Primary Government	Discrete Component Units	Reporting Entity
<b>Revenues</b>						
Taxes	\$ 1,469,900	\$ 151,254	\$ 547,121	\$ 2,168,275	\$ 259,052	\$ 2,427,327
Licenses and Permits	4,162			4,162		4,162
Federal Grants	78,393	24,317		102,710	926,860	1,029,570
State Grants	552,936	87,794	5,088	645,818	2,308,447	2,954,265
Contributions From Local Units				-	272,264	272,264
Charges for Services	374,795	8,274		383,069	219	383,288
Fines and Forfeits	10,249	2,000		12,249		12,249
Interest and Rentals	21,474		5,319	26,793	17,013	43,806
Other Revenue	45,703	16,306		62,009	365,116	427,125
<b>Total Revenues</b>	<b>2,557,612</b>	<b>289,945</b>	<b>557,528</b>	<b>3,405,085</b>	<b>4,148,971</b>	<b>7,554,056</b>
<b>Expenditures</b>						
Current						
Legislative	27,097			27,097		27,097
Judicial	432,194	5,284		437,478		437,478
General Government	600,074			600,074		600,074
Public Safety	565,898	12,404		578,302		578,302
Public Works				-	3,662,241	3,662,241
Health and Welfare	112,923	269,834		382,757		382,757
Recreation and Cultural	2,500			2,500		2,500
Other	599,648			599,648		599,648
Capital Outlay	2,218			2,218	1,741,267	1,743,485
Debt Service						
Principal			195,000	195,000	138,661	333,661
Interest			132,388	132,388	107,155	239,543
<b>Total Expenditures</b>	<b>2,342,552</b>	<b>287,522</b>	<b>327,388</b>	<b>2,957,462</b>	<b>5,649,324</b>	<b>8,606,786</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>215,060</b>	<b>2,423</b>	<b>230,140</b>	<b>447,623</b>	<b>(1,500,353)</b>	<b>(1,052,730)</b>
<b>Other Financing Sources (Uses)</b>						
Operating Transfers						
Transfers In--Primary Government	79,267	76,337		155,604		155,604
Transfers (Out)--Primary Government	(73,400)	(17,974)		(91,374)		(91,374)
Transfers (Out)--Component Unit			(225,719)	(225,719)		(225,719)
Proceeds From Borrowing				-	1,550,802	1,550,802
<b>Total Other Financing Sources (Uses)</b>	<b>5,867</b>	<b>58,363</b>	<b>(225,719)</b>	<b>(161,489)</b>	<b>1,550,802</b>	<b>1,389,313</b>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<b>220,927</b>	<b>60,786</b>	<b>4,421</b>	<b>286,134</b>	<b>50,449</b>	<b>336,583</b>
<b>Fund Balance--October 1, 2002</b>	<b>270,217</b>	<b>182,864</b>	<b>71,142</b>	<b>524,223</b>	<b>1,478,623</b>	<b>2,002,846</b>
<b>Fund Balance--September 30, 2003</b>	<b>\$ 491,144</b>	<b>\$ 243,650</b>	<b>\$ 75,563</b>	<b>\$ 810,357</b>	<b>\$ 1,529,072</b>	<b>\$ 2,339,429</b>

**The Notes to Financial Statements are an integral part of this statement.**

**BARAGA COUNTY**
**EXHIBIT C**
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**
**BUDGET AND ACTUAL--GENERAL AND SPECIAL REVENUE FUNDS**
**For the Fiscal Year Ended September 30, 2003**

	<b>GENERAL FUND</b>			<b>SPECIAL REVENUE FUNDS</b>			<b>TOTAL (MEMORANDUM ONLY)</b>		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues									
Taxes	\$ 1,468,124	\$ 1,469,900	\$ 1,776	\$ 152,000	\$ 151,254	\$ (746)	\$ 1,620,124	\$ 1,621,154	\$ 1,030
Licenses and Permits	3,100	4,162	1,062				3,100	4,162	1,062
Federal Grants	77,450	78,393	943	63,611	24,317	(39,294)	141,061	102,710	(38,351)
State Grants	502,599	552,936	50,337	75,000	87,794	12,794	577,599	640,730	63,131
Charges for Services	346,900	374,795	27,895	2,200	8,274	6,074	349,100	383,069	33,969
Fines and Forfeits	9,500	10,249	749	2,000	2,000		11,500	12,249	749
Interest and Rents	19,000	21,474	2,474				19,000	21,474	2,474
Other Revenue	50,000	45,703	(4,297)	78,000	16,306	(61,694)	128,000	62,009	(65,991)
Total Revenues	2,476,673	2,557,612	80,939	372,811	289,945	(82,866)	2,849,484	2,847,557	(1,927)
Expenditures									
Current									
Legislative	27,535	27,097	438				27,535	27,097	438
Judicial	443,281	432,194	11,087	8,000	5,284	2,716	451,281	437,478	13,803
General Government	620,355	600,074	20,281				620,355	600,074	20,281
Public Safety	588,421	565,898	22,523	50,000	12,404	37,596	638,421	578,302	60,119
Health and Welfare	116,571	112,923	3,648	394,074	269,834	124,240	510,645	382,757	127,888
Recreation and Cultural	2,500	2,500					2,500	2,500	-
Other	631,426	599,648	31,778				631,426	599,648	31,778
Capital Outlay	5,800	2,218	3,582	2,000	-	2,000	7,800	2,218	5,582
Total Expenditures	2,435,889	2,342,552	93,337	454,074	287,522	166,552	2,889,963	2,630,074	259,889
Excess of Revenues Over (Under) Expenditures	40,784	215,060	174,276	(81,263)	2,423	83,686	(40,479)	217,483	257,962
Other Financing Sources (Uses)									
Operating Transfers In	45,000	79,267	34,267	91,337	76,337	(15,000)	136,337	155,604	19,267
Operating Transfers (Out)	(88,400)	(73,400)	15,000	(2,937)	(17,974)	(15,037)	(91,337)	(91,374)	(37)
Total Other Financing Sources (Uses)	(43,400)	5,867	49,267	88,400	58,363	(30,037)	45,000	64,230	19,230
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(2,616)	220,927	223,543	7,137	60,786	53,649	4,521	281,713	277,192
Fund Balance--October 1, 2002	270,217	270,217	-	160,167	182,864	22,697	430,384	453,081	22,697
Fund Balance--September 30, 2003	\$ 267,601	\$ 491,144	\$ 223,543	\$ 167,304	\$ 243,650	\$ 76,346	\$ 434,905	\$ 734,794	\$ 299,889

**The Notes to Financial Statements are an integral part of this statement.**

**BARAGA COUNTY**  
**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN**  
**RETAINED EARNINGS--PROPRIETARY FUND TYPES AND DISCRETELY**  
**PRESENTED COMPONENT UNITS**  
**For The Fiscal Year Ended September 30, 2003**

**EXHIBIT D**

	<b>COMPONENT UNIT</b>		Total
	Enterprise Funds	County Hospital	(Memorandum Only)
Operating Revenues			
Net Patient Service Revenue		\$ 16,516,037	\$ 16,516,037
Interest and Penalties on Taxes	\$ 85,917		85,917
Other Operating Revenue		331,612	331,612
Total Operating Revenues	85,917	16,847,649	16,933,566
Operating Expenses			
Salaries		8,359,639	8,359,639
Employee Benefits		2,283,493	2,283,493
Purchased Services		796,864	796,864
Stationary, Postage and Printing	1,668		1,668
Professional Fees		693,999	693,999
Supplies		1,252,392	1,252,392
Drugs		662,958	662,958
Repairs and Maintenance		305,340	305,340
Utilities		372,659	372,659
Miscellaneous		746,227	746,227
Depreciation and Amortization		879,761	879,761
Total Operating Expenses	1,668	16,353,332	16,355,000
Net Income (Loss) From Operations	84,249	494,317	578,566
Nonoperating Revenues (Expenses)			
Unrestricted Donations		13,789	13,789
Interest Income	4,658	41,407	46,065
Interest Expense		(277,773)	(277,773)
Miscellaneous Expense		(1,626)	(1,626)
Total Nonoperating Revenues (Expenses)	4,658	(224,203)	(219,545)
Net Income (Loss) Before Operating Transfers	88,907	270,114	359,021
Transfers In--Primary Government		225,719	225,719
Transfers (Out)--Primary Government	(64,230)		(64,230)
Net Income (Loss)	24,677	495,833	520,510
Retained Earnings--October 1, 2002	335,218	6,940,396	7,275,614
Retained Earnings--September 30, 2003	\$ 359,895	\$ 7,436,229	\$ 7,796,124

**The Notes to Financial Statements are an integral part of this statement.**

**BARAGA COUNTY**  
**COMBINED STATEMENT OF CASH FLOWS**  
**INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**  
**ALL PROPRIETARY FUND TYPES AND DISCRETELY PRESENTED**  
**COMPONENT UNITS**  
**For the Fiscal Year Ended September 30, 2003**

**EXHIBIT E**

	<b>COMPONENT UNIT</b>		Total
	Enterprise Funds	County Hospital	(Memorandum Only)
Cash Flows From Operating Activities			
Interest and Penalties on Taxes	\$ 85,917		\$ 85,917
Delinquent Taxes Collected	679,751		679,751
Cash Received From Patients		\$ 16,592,201	16,592,201
Other Cash Receipts		331,612	331,612
Delinquent Taxes Purchased	(665,452)		(665,452)
Stationary, Postage and Printing	(1,668)		(1,668)
Cash Paid to Employees and Suppliers		(15,399,464)	(15,399,464)
Net Cash Provided by (Used in) Operating Activities	98,548	1,524,349	1,622,897
Cash Flows From Noncapital Financing Activities			
Contributions	-	13,789	13,789
(Increase) or Decrease in Other Receivables	(216)		(216)
(Increase) or Decrease in Advances to Other Funds	26,000		26,000
Increase or (Decrease) in Other Payables	(1,139)		(1,139)
Increase or (Decrease) in Advances From Other Funds	(26,000)		(26,000)
Transfers (Out)--General Fund	(64,230)		(64,230)
Net Cash Provided by Noncapital Financing Activities	(65,585)	13,789	(51,796)
Cash Flows From Investing Activities			
Change in Investments		113,500	
Interest Earned	4,658	41,407	46,065
Net Cash Provided by Investing Activities	4,658	154,907	159,565
Cash Flows From Capital and Related Financing Activities			
Purchases of Property and Equipment		(1,075,289)	(1,075,289)
Proceeds From the Sale of Property and Equipment		6,723	6,723
Proceeds From County Tax Levy		200,000	200,000
Payments on Long-Term Debt		(291,595)	(291,595)
Interest Paid		(277,773)	(277,773)
Net Cash Provided by (Used in) Capital and Related Financing Activities	-	(1,437,934)	(1,437,934)
Net Increase (Decrease) in Cash and Cash Equivalents	37,621	255,111	292,732
Cash and Cash Equivalents--October 1, 2002	39,038	2,165,108	2,204,146
Cash and Cash Equivalents--September 30, 2003	\$ 76,659	\$ 2,420,219	\$ 2,496,878

**BARAGA COUNTY**  
**COMBINED STATEMENT OF CASH FLOWS**  
**INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**  
**ALL PROPRIETARY FUND TYPES AND DISCRETELY PRESENTED**  
**COMPONENT UNITS**  
**For the Fiscal Year Ended September 30, 2003**

**EXHIBIT E**  
**(CONTINUED)**

	<b>COMPONENT UNIT</b>		<b>Total</b>
	<b>Enterprise Funds</b>	<b>County Hospital</b>	<b>(Memorandum Only)</b>
Reconciliation of Operating Income (Loss) to Net Cash Flows			
Provided by (Used in) Operating Activities			
Operating Income (Loss)	\$ 84,249	\$ 494,317	\$ 578,566
Adjustments to Reconcile Operating Income (Loss) to Net Cash			
Provided by (Used in) Operating Activities			
Depreciation and Amortization		879,761	879,761
Provision for Doubtful Accounts		210,912	210,912
(Increase) Decrease in Assets			
Delinquent Taxes Receivable	14,299		14,299
Patient Accounts Receivable		(276,798)	(276,798)
Estimated Third-Party Settlements Receivable		(9,102)	(9,102)
Inventories		(5,794)	(5,794)
Prepaid Expenses and Other		(87,956)	(87,956)
Increase (Decrease) in Liabilities			
Accounts Payable		(40,653)	(40,653)
Accrued Expenses		208,510	208,510
Estimated Third-Party Settlements Payable		151,152	151,152
Net Cash Provided by Operating Activities	\$ 98,548	\$ 1,524,349	\$ 1,622,897

**The Notes to Financial Statements are an integral part of this statement.**

**BARAGA COUNTY**  
**COMBINING BALANCE SHEET--DISCRETELY PRESENTED**  
**COMPONENT UNITS**  
**September 30, 2003**

**EXHIBIT F**

<b>GOVERNMENTAL FUND TYPES</b>							
	<b>DEPARTMENT OF PUBLIC WORKS</b>				<b>PROPRIETARY</b>		<b>Total</b>
	<b>SPECIAL REVENUE</b>	<b>DEBT SERVICE</b>		<b>CAPITAL PROJECT</b>	<b>ACCOUNT GROUP</b>	<b>ENTERPRISE FUND</b>	
	Road Commission	L'anse 2002 Bond	L'anse 1979 Bond	L'anse Sewer Construction	General Long-Term Debt	County Hospital	
<b>ASSETS</b>							
Cash and Cash Equivalents	\$ 859,119		\$ 78	\$ 1,902		\$ 2,420,219	\$ 3,281,318
Investments	101,579						101,579
Accounts Receivable (Net of Estimated Uncollectibles)	7,966					1,863,889	1,871,855
Third-Party Payor Settlement						605,822	605,822
Due From State	307,389						307,389
Due From Other Funds--Primary Government						437,277	437,277
Inventories	494,171					200,314	694,485
Prepaid Expense	45,376					143,334	188,710
Fixed Assets (Net of Accumulated Depreciation)	1,483,793					7,940,771	9,424,564
Amount Available in Debt Service Funds					\$ 78		78
Amount to be Provided for Retirement of General Long-Term Debt	763,140				2,456,922		3,220,062
Vested Employee Benefits	344,881						344,881
<b>Total Assets</b>	<b>\$ 4,407,414</b>	<b>\$ -</b>	<b>\$ 78</b>	<b>\$ 1,902</b>	<b>\$ 2,457,000</b>	<b>\$ 13,611,626</b>	<b>\$ 20,478,020</b>
<b>LIABILITIES AND FUND EQUITY</b>							
<b>Liabilities</b>							
Accounts Payable	\$ 95,018					\$ 434,850	\$ 529,868
Accured Liabilities	30,622					1,219,607	1,250,229
Due to State	158,434						158,434
Due to Third-Party Payors						183,631	183,631
Current Installments on Long-Term Debt						308,144	308,144
Advances--Driveway Plowing	4,434						4,434
Long-Term Debt Less Current Maturities						4,029,165	4,029,165
Bonds Payable					\$ 2,457,000		2,457,000
Installment Loan Payable	763,140						763,140
Vested Employee Benefits Payable	344,881						344,881
<b>Total Liabilities</b>	<b>1,396,529</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,457,000</b>	<b>6,175,397</b>	<b>10,028,926</b>
<b>Fund Equity</b>							
Investment in General Fixed Assets	1,483,793						1,483,793
Retained Earnings							
Unreserved						7,436,229	7,436,229
Fund Balance							
Reserved for Inventory	494,171						494,171
Reserved for Debt Service			78				78
Reserved for Self Insurance	216,901						216,901
Designated for Construction				1,902			1,902
Unreserved--Undesignated	816,020						816,020
<b>Total Fund Equity (Deficit)</b>	<b>3,010,885</b>	<b>-</b>	<b>78</b>	<b>1,902</b>	<b>-</b>	<b>7,436,229</b>	<b>10,449,094</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 4,407,414</b>	<b>\$ -</b>	<b>\$ 78</b>	<b>\$ 1,902</b>	<b>\$ 2,457,000</b>	<b>\$ 13,611,626</b>	<b>\$ 20,478,020</b>

**The Notes to Financial Statements are an integral part of this statement.**

**BARAGA COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE--DISCRETELY PRESENTED**  
**COMPONENT UNITS--ALL GOVERNMENTAL FUNDS**  
**September 30, 2003**

**EXHIBIT G**

	<b>DEPARTMENT OF PUBLIC WORKS</b>				<b>Total</b>
	<b>SPECIAL REVENUE</b>	<b>DEBT SERVICE</b>		<b>CAPITAL PROJECT</b>	
		L'anse 2002 Bond	L'anse 1979 Bond	L'anse Sewer Construction	
	Road Commission				
Revenues					
Taxes	\$ 259,052				\$ 259,052
Federal Grants	926,860				926,860
State Grants	2,308,447				2,308,447
Contributions From Local Units	107,562	\$ 68,952	\$ 95,750		272,264
Charges for Services	219				219
Interest and Rentals	17,013				17,013
Special Assessments					
Other Revenue	365,116				365,116
Total Revenues	3,984,269	68,952	95,750	\$ -	4,148,971
Expenditures					
Current					
Public Works	3,662,241				3,662,241
Other					
Capital Outlay	1,027,334			713,933	1,741,267
Debt Service					
Principal	72,661	16,000	50,000		138,661
Interest and Fiscal Fees	8,453	52,952	45,750		107,155
Total Expenditures	4,770,689	68,952	95,750	713,933	5,649,324
Excess of Revenues Over (Under) Expenditures	(786,420)	-	-	(713,933)	(1,500,353)
Other Financing Sources					
Bond Proceeds	835,802			715,000	1,550,802
Total Other Financing Sources	835,802	-	-	715,000	1,550,802
Total Other Financing Sources (Uses) Over					-
Excess of Revenues and Other (Under) Expenditures and Other Uses	49,382	-	-	1,067	50,449
Fund Balance (Deficit)--October 1, 2002	1,477,710	-	78	835	1,478,623
Fund Balance--September 30, 2003	\$ 1,527,092	\$ -	\$ 78	\$ 1,902	\$ 1,529,072

**The Notes to Financial Statements are an integral part of this statement.**



## BARAGA COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE A--DESCRIPTION OF COUNTY OPERATIONS AND FUND TYPES

Baraga County is a municipal corporation governed by an elected 5-member board of commissioners. In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," these financial statements present Baraga County (the primary government) and its component units. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included. The component units, discussed in Note B, are included in the county's financial reporting entity because of the significance of their operational or financial relationships with the county.

#### Discretely Presented Component Units

The component unit columns in the combined financial statements include the financial data of the Baraga County Board of Public Works, Baraga County Road Commission and the Baraga County Memorial Hospital. These financial statements are reported in separate columns to emphasize that they are legally separate from the county.

#### Baraga County Board of Public Works

Pursuant to Michigan Compiled Law 123.732, the County of Baraga entered into a program of water supply and sanitary sewer facility construction. The Department of Public Works is under the general control of the county board of commissioners and under the immediate control of a Board of Public Works. The Board of Public Works is comprised of four (4) members, two county commissioners and two (2) members selected by the county board of commissioners. The Board of Public Works is considered an agency of the county. The board manages water supply and sanitary sewer system construction projects that are bonded by the County of Baraga. Bonds issued are authorized by an ordinance or a resolution approved by the Board of Public Works and adopted by the Baraga County Board of Commissioners. Special assessments are levied by the local units of government on benefited properties and are forwarded to the county for payment of principal and interest. The combining financial statements for the Board of Public Works are presented as part of the discretely presented component units on Exhibits F and G.

#### Road Commission

The Baraga County Road Commission, which is established pursuant to the County Road Law (MCL 224.1), is governed by an elected three-member board of county road commissioners. The Road Commission may not issue debt or levy property taxes without the county board of commissioners' approval. The Road Commission's property taxes are levied under the taxing authority of the county, as approved by the county electors, are included as part of the county's total tax levy and are reported in the County Road Fund.

## BARAGA COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE A--DESCRIPTION OF COUNTY OPERATIONS AND FUND TYPES (Continued)

##### Memorial Hospital

The Baraga County Memorial Hospital (County Hospital) is a not-for-profit corporation established in accordance with Public Act 230 (County Health Facilities Corporation Act) of 1987. The board of trustees governs it, which is empowered to do all things necessary for the proper operation of the County Hospital. The County Hospital is organized and operated to provide for the health care needs of the community. The primary health care services are acute inpatient, outpatient, and long-term skilled care.

The County Hospital is the sole member of Baraga County Extended Care Corporation (collectively referred to as the "Corporation"), which is a not-for-profit corporation established in accordance with Public Act 230. Baraga County Extended Care Corporation has two divisions: Bayside Village, which owns and operates a 59 bed skilled nursing facility in L'Anse, Michigan; and Baraga County Home Helpers, which provides nonmedical services to home bound patients.

Complete audited or unaudited financial statements of the individual component units can be obtained from their respective administrative offices or from the county clerk's office at the courthouse.

##### Administrative Offices

Baraga County Clerk  
13 North 3<sup>rd</sup> Street  
L'Anse, Michigan 49946

Board of Public Works  
13 North 3<sup>rd</sup> Street  
L'Anse, Michigan 49946

Baraga County Road Commission  
Highway US 41  
L'Anse, Michigan 49946

Baraga County Memorial Hospital  
770 North Main Street  
L'Anse, Michigan 49946

##### Jointly Governed Organization--District Health Department

Baraga County, in conjunction with Gogebic, Houghton, Keweenaw, and Ontonagon Counties, has created the Western Upper Peninsula District Health Department under the authority of the Public Health Code. The District Health Board is composed of 2 members from each of the counties who are appointed by each participating county board of commissioners. All of the financial operations of the District Health Department are recorded in the records of Houghton County, as a discretely presented component unit. The funding formula approved by the member counties is based pro rata on each unit's population and State equalized valuation to the district's population and valuation. Member counties' percentages and dollar share of the net operating budget for the year 2003 were:

# BARAGA COUNTY

## NOTES TO FINANCIAL STATEMENTS

### NOTE A--DESCRIPTION OF COUNTY OPERATIONS AND FUND TYPES (Continued)

<u>Requested %</u>	<u>Actual %</u>	<u>Appropriation</u>
12.7%	13.5%	\$ 18,413
25.6%	20.9%	28,575
43.8%	47.1%	64,372
5.2%	5.4%	7,394
12.7%	13.1%	17,978
<u>100.0%</u>	<u>100.0%</u>	<u>\$ 136,732</u>

Baraga County's 2003 actual appropriation to the District Health Department was \$18,413 as all of the Counties reduced their budget allocations to amounts less than the approved funding formula. An additional \$5,328 was appropriated for the Health Department's share of the 2002 State-shared cigarette tax revenues.

#### Jointly Governed Organization--Community Mental Health Authority

Baraga County, in conjunction with Houghton, Keweenaw and Ontonagon Counties, has created the Copper Country Mental Health Services Board, which is a Community Mental Health Organization defined in the Mental Health Code (Code), MCL 330.1001, et seq., as amended. During 1996, the jointly created board became a Community Mental Health Authority under Section 205 of the Code in accordance with the Urban Cooperation Act. The Copper Country Community Mental Health Services Authority Board is composed of 12 members who are apportioned between the member counties on the basis of population and who's board appointments are approved by their respective county board of commissioners. All of the financial operations of the Mental Health Authority are recorded in the records of Houghton County, as a discretely presented component unit. The funding of the Community Mental Health Authority operations by the member counties is based on an agreement between the Community Mental Health Board and member counties, which provides for single annual appropriations to provide for State institution inpatient costs and community mental health program costs.

The board approved member county appropriations for the Community Mental Health Authority's fiscal year ended September 30, 2003 were as follows:

Baraga	\$ 33,795
Houghton	164,495
Keweenaw	8,500
Ontonagon	<u>48,814</u>
Total	<u>\$ 255,604</u>

Baraga County's appropriation to the District Mental Health Board for the county's fiscal year ended September 30, 2003 was \$33,795.

## BARAGA COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE A--DESCRIPTION OF COUNTY OPERATIONS AND FUND TYPES (Continued)

##### Basis of Presentation

The accounts of the government are organized and operated on the basis of funds and account groups.

A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

The financial activities of the county are recorded in separate funds and account groups, categorized as follows:

##### GOVERNMENTAL FUNDS

###### General Fund

This fund is used to account for all financial resources except those provided for in another fund. Revenues are primarily derived from property taxes, State and Federal aid, and charges for services to provide for the administration and operation of: (1) general county governmental departments, boards and commissions; (2) court systems; (3) law enforcement; and (4) health, welfare and medical assistance. The fund includes the general operating expenditures of the county.

###### Special Revenue Funds

These funds are used to account for specific revenue (other than special assessments, expendable trusts, or major capital projects) derived from State and Federal grants, General Fund appropriations and charges for services which are to be expended for specific purposes as dictated by legal, regulatory or administrative requirements.

###### Debt Service Funds

These funds are used to record revenues that are restricted for the payment of principal and interest on debt recorded in the general long-term debt account group.

###### Capital Projects Funds

These funds are used to account for the acquisition or construction of major facilities other than those financed by proprietary fund operations. The L'Anse DPW Sewer Project is the county's only capital project fund. Accordingly, no combining financial statements are included for this fund type.

## BARAGA COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE A--DESCRIPTION OF COUNTY OPERATIONS AND FUND TYPES (Continued)

##### PROPRIETARY FUNDS

###### Enterprise Funds

These funds account for operations: (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The principal operating revenues of the delinquent tax fund and the Hospital Operating Fund (component unit) fund are collection fees for delinquent taxes and providing inpatient, outpatient and long-term care services, respectively. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

##### FIDUCIARY FUNDS

###### Agency Funds

These funds account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds.

##### ACCOUNT GROUPS

###### General Fixed Assets Account Group

This account group is used to account for the County's fixed assets other than those accounted for in proprietary or trust funds. Public domain (infrastructure) general fixed assets, consisting of certain improvements other than buildings, are not capitalized. Except for the County Road Fund (component unit), the county has not maintained records of general fixed assets as required by generally accepted accounting principles.

###### General Long-Term Debt Account Group

This account group presents the balance of general obligation long-term debt, which is not recorded in special assessment, proprietary or trust funds.

The general fixed assets group of accounts and general long-term debt group of accounts are not funds and do not involve the measurement of the results of operations.

## BARAGA COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE A--DESCRIPTION OF COUNTY OPERATIONS AND FUND TYPES (Continued)

##### Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures (expenses) are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The accounting policies of Baraga County conform to generally accepted accounting principles as applicable to governmental units.

##### Governmental Funds

All governmental funds utilize a financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under modified accrual basis of accounting, revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Measurable refers to the ability to quantify in monetary terms of the amount of the revenue. Current expenditures are generally recorded when the fund liability is incurred, if measurable. Exceptions to this general rule include principal and interest on long-term debt, which is recognized when due; and accrued vacation and sick leave, which is recorded when payable from current available financial resources.

##### Proprietary Funds

The proprietary funds follow the accrual basis of accounting. Revenues are recorded when they are measurable and earned, and expenditures when the related liability is incurred. The Delinquent Tax Revolving Funds and the County Hospital, a component unit of the county, utilize the above-mentioned basis of accounting. Baraga County applies all ASB pronouncements as well as the FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

##### Fiduciary Funds

The fiduciary funds are maintained on the cash basis, which is consistent with the accounting measurement objectives of the funds. Reporting these funds on a cash basis does not have an effect materially different from reporting them on the accrual or modified accrual basis as required by generally accepted accounting principles.

##### Cash, Cash Equivalents, and Investments

For purposes of the statement of cash flows, demand deposits and short-term investments with maturity of three months or less when acquired are considered to be cash equivalents. In addition, the statement of cash flows includes both restricted and unrestricted cash and cash equivalents. Investments are stated at fair value based on quoted market prices.

## BARAGA COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE A--DESCRIPTION OF COUNTY OPERATIONS AND FUND TYPES (Continued)

##### Current Property Taxes

The county property tax is levied on each December 1st on the taxable valuation of property located in the county as of the preceding December 31st.

The 2002 State equalized valuation of Baraga County amounted to \$221,273,205 and the taxable valuation is \$154,163,951, on which ad valorem taxes of 8.4976 mills were levied for county operating purposes; .9333 mills for senior citizens programs; 1.9762 mills for County Road Commission and Villages of Baraga and L'Anse road and street maintenance and improvements; 2.50 mills for County Hospital bond debt and capital improvements; and .8787 mills for county jail bond debt. In addition, specific taxes are levied under the Commercial Forest Reserve Act, payments in lieu of taxes on properties belonging to native americans are received from the Keweenaw Bay Tribal Council, and some of the county taxes are captured by the downtown development authorities of the Villages of Baraga and L'Anse. The current tax revenues reflected in the county's 2003 financial statements consist of the amount of the 2002 tax levy collected in addition to the Commercial Forest Reserve taxes, less taxes captured by the downtown development authorities.

##### TAXES RECEIVABLE--CURRENT

The taxes receivable--current of \$33,546 in the General Fund; \$3,684 in the Senior Citizens (Special Revenue Fund); \$9,869 in the Hospital Bond Debt Fund; and \$3,469 in the Jail Bond Debt Fund (Debt Service Funds), consist of Tribal Council payments in lieu of taxes on tribal member properties for 2002 which have been received by the county treasurer but not yet distributed pending the resolution of a dispute between the Tribal Council and State Tax Commission. The receivable amounts are recorded with an offsetting credit to deferred revenue--taxes due to the uncertainty of the final determination.

##### TAXES RECEIVABLE--DELINQUENT

##### Enterprise Funds

The taxes receivable--delinquent of \$282,645, which are recorded in the enterprise funds, consist of the unpaid delinquent real property taxes which were purchased from all of the taxing units in Baraga County by the County's 100 Percent Tax Payment Funds for the years 1998, \$544; 1999, \$7,871 2000, \$12,378; 2001, \$40,395 and 2002, \$221,457. Effective with the 2001 tax levy, the county began financing the purchase of delinquent real property taxes with advances from the General Fund and other 100 Percent Tax Payment Funds. Accordingly, none of the delinquent taxes are pledged for the payment notes.

## BARAGA COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE A--DESCRIPTION OF COUNTY OPERATIONS AND FUND TYPES (Continued)

##### INVENTORIES

###### Road Commission (Component Unit)

County Road Fund inventories are priced at cost based on the average unit cost method. Inventory items are charged to road construction and maintenance, equipment repairs and operations as used.

###### County Hospital (Component Unit)

Hospital Operating Fund inventories are stated at the lower of cost or market. Cost is determined primarily by the first-in, first-out method.

##### PROPERTY, PLANT AND EQUIPMENT

###### General Fixed Assets--Primary Government

The county has not maintained records of general fixed assets as required by generally accepted accounting principles. Fixed asset purchases of the county's governmental funds are recorded as capital outlay expenditures in the appropriate activity at the time of purchase.

###### General Fixed Assets and Depreciation--Road Commission (Component Unit)

Fixed assets are stated at historical costs or estimated historical costs if actual historical costs are not available. Donated fixed assets are valued at their estimated fair values on the date donated. Governmental fund fixed assets are recorded in the general fixed assets account group.

Fixed assets used in governmental fund type operations are accounted for in the general fixed assets account group, rather than in governmental funds. Public domain (infrastructure) general fixed assets, consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems, are not recorded.

Depreciation on Road Commission fixed assets is computed on the sum-of-the-years'-digits method for road equipment and straight-line method for all other fixed assets. The Uniform Accounting Procedures Manual for Michigan County Road Commissions provides for recording depreciation in the General Operating Fund as a charge to various expense accounts and a credit to a depreciation credit account.

Accordingly, the annual depreciation expense does not affect the available operating equities of the General Operating Fund.



## BARAGA COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE A--DESCRIPTION OF COUNTY OPERATIONS AND FUND TYPES (Continued)

##### General Fixed Assets and Depreciation--Road Commission (Component Unit)

The depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

Buildings	30 to 50 years
Road Equipment	5 to 8 years
Shop Equipment	10 years
Engineering Equipment	4 to 10 years
Office Equipment	4 to 10 years

##### County Hospital (Component Unit)

Hospital Operating Fund property and equipment are stated at cost less accumulated depreciation. Depreciation is computed on the straight-line method over estimated useful lives of related assets. Cost of maintenance and repairs are charged to expense as incurred.

The depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

Buildings	10 to 50 years
Equipment	3 to 20 years
Land Improvements	10 to 20 years

##### Net Patient Service Revenue--County Hospital (Component Unit)

The County Hospital has agreements with third-party payors that provide for payments to the hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursable costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Management believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrong doing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medicaid programs. The net patient service revenue is composed of the following:

BARAGA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE A--DESCRIPTION OF COUNTY OPERATIONS AND FUND TYPES (Continued)

Net Patient Service Revenue--County Hospital (Component Unit)

Operating Revenue	
Nursing Services	\$ 7,017,544
Ancillary Services	<u>13,104,941</u>
Total Patient Revenue	20,122,485
Less: Revenue Deductions	(3,395,536)
Provision for Bad Debts	<u>(210,912)</u>
Net Patient Service Revenue	<u><u>\$16,516,037</u></u>

Estimated Third-Party Settlements--County Hospital (Component Unit)

The County Hospital has agreements with third-party payors that provide for reimbursement at amounts different from its established rates. The County Hospital receives approximately 87% of net patient service revenue under agreements with third party payors. Contractual adjustments under third-party reimbursement programs represent the difference between established rates for services and amounts reimbursed by third-party payors. A summary of the basis of reimbursement with these third-party payors follows:

Medicare--The County Hospital is designated as a Critical Access Hospital under Medicare regulations. As such, the hospital receives reasonable, cost-based reimbursement for both inpatient and outpatient services provided to Medicare beneficiaries. Long-term care services are reimbursed at prospectively determined rates per patient day.

Medicaid--Inpatient, acute-care services rendered to Medicaid program beneficiaries are also paid at prospectively determined rates per discharge. Capital costs relating to Medicaid patients are paid on a cost-reimbursement method. The County Hospital is reimbursed for outpatient services on an established fee-for-service methodology. Long-term care services are reimbursed at established per diem rates plus cost for allowable ancillary services.

Blue Cross--Services rendered to Blue Cross subscribers are reimbursed at controlled charges.

Cost report settlements result from the adjustment of interim payments to final reimbursement under these programs and are subject to audit by fiscal intermediaries. Although these audits may result in some changes in these amounts, they are not expected to have a material effect on the County Hospital's financial statements.

## BARAGA COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE A--DESCRIPTION OF COUNTY OPERATIONS AND FUND TYPES (Continued)

##### Charity Care--County Hospital (Component Unit)

The County Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the County Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenue. Charity care amounts to less than one percent of patients served.

##### Tax Status--County Hospital (Component Unit)

The County Hospital is tax exempt under the Internal Revenue Code, and accordingly, no tax provision is reflected in the financial statements.

##### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

##### Other Financing Sources (Uses)

The transfers of cash between the various county funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing funds.

Proceeds from the advance refunding of bonds are recorded as other financing sources. Only those expenditures not paid by refunded bond proceeds are recorded as other financing uses.

##### Total Column on Combined Statements--Overview

The total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, because interfund eliminations have not been made in the aggregation of this data.

## BARAGA COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE A--DESCRIPTION OF COUNTY OPERATIONS AND FUND TYPES (Continued)

##### Principles of Combination--County Hospital (Component Unit)

The County Hospital's financial statements include the combined accounts of Baraga County Memorial Hospital and its subsidiary, Baraga County Extended Care Corporation. All material intercompany balances and transactions have been eliminated.

#### NOTE B--LEGAL COMPLIANCE

##### Budgets and Budgetary Accounting

Budgetary procedures are established pursuant to Public Act 2 of 1968, as amended, which requires the county board of commissioners to approve budgets for the General and special revenue funds. The County Road Fund (special revenue--component unit) budget is adopted and administered by the board of county road commissioners. The budget basis of accounting does not differ significantly from the modified accrual basis used to reflect actual revenues and expenditures for these funds. The budgets are adopted at the activity level and control is exercised at that level. The county board of commissioners has authorized the county's chief administrative officer (county clerk) to make General Fund budget transfers between activities in September, when necessary, without increasing the overall budget and with the transfers to be subsequently presented to the board for their review and approval. Also, the board of county road commissioners has authorized its chief administrative officer to amend the County Road Fund budget when necessary by transferring up to 20% from one activity to another.

The budgeted revenues and expenditures for governmental fund types, as presented in Exhibit C, include any authorized amendments to the original budget as adopted.

##### Excess of Expenditures Over Appropriations

Public Act 2 of 1968, as amended, requires the adoption of a balanced budget for the General Fund and special revenue funds as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

During the fiscal year ended September 30, 2003, expenditures were incurred in excess of amounts appropriated in the amended budgets for the activities or functions of the following special revenue funds:

<u>Fund/Activity or Function</u>	<u>Budget</u>	<u>Actual</u>	<u>Over Expenditures</u>
Senior Citizens Fund			
Health and Welfare	\$162,000	\$163,609	\$1,609

# BARAGA COUNTY

## NOTES TO FINANCIAL STATEMENTS

### NOTE C--CASH AND INVESTMENTS

Deposits are carried at cost. Deposits of the county are at various banks in the name of the county treasurer. Michigan Compiled Laws, Section 129.91, as amended by Public Act 196 of 1997, authorizes the county treasurer to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities, and other direct obligations of the United States, United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase and obligations of the State of Michigan or its political subdivisions which are rated investment grade. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The county's deposits are in accordance with statutory authority.

The county has designated six banks within the county for deposit of county funds. The investment policy adopted by the board is in accordance with Public Act 196 of 1997 and includes all of the above investments.

The risk disclosures for the county's deposits at September 30, 2003 for the county and the hospital, respectively, as required by the Governmental Accounting Standards Board (GASB) Statement No. 3, are as follows:

	Carrying Amounts		
	Primary Government	Component Units	Reporting Entity Total
<u>Cash and Deposits</u>			
Imprest Cash	\$ 575	\$ 1,363	\$ 1,938
Insured (FDIC)	355,088	639,841	994,929
Uninsured and Uncollateralized	<u>1,465,062</u>	<u>2,640,114</u>	<u>4,105,176</u>
Total	<u>\$ 1,820,725</u>	<u>\$ 3,281,318</u>	<u>\$ 5,102,043</u>
	Bank Balances		
	Primary Government	Component Units	Reporting Entity Total
Insured (FDIC)	\$ 357,069	\$ 637,861	\$ 994,930
Uninsured and Uncollateralized	<u>1,831,449</u>	<u>2,901,462</u>	<u>4,732,911</u>
Total	<u>\$ 2,188,518</u>	<u>\$ 3,539,323</u>	<u>\$ 5,727,841</u>

# BARAGA COUNTY

## NOTES TO FINANCIAL STATEMENTS

### NOTE C--CASH AND INVESTMENTS (Continued)

The GASB Statement No. 3 risk disclosures for the component unit's investments are as follows:

	Financial Institution Balance	Carrying Value
<u>Investments</u>		
Nonrisk-Categorized Mutual Funds	<u>\$101,579</u>	<u>\$ 101,579</u>
Total	<u><u>\$101,579</u></u>	<u><u>\$ 101,579</u></u>

The above investments were purchased through a mutual fund investment account at a financial institution. The nature of the mutual fund investments does not allow for risk-categorization in accordance with GASB Statement No. 3.

### NOTE D--DEFERRED COMPENSATION

#### Primary Government

Baraga County offers all employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plan were held in trust, as described in IRC Section 457 (g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodial account is held by the custodian for the exclusive benefit of the participants and beneficiaries of the Section 457 plan and the assets may not be diverted to any other use. The administrators are agents of the employer for the purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters.

In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in these financial statements.

## BARAGA COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE D--DEFERRED COMPENSATION (Continued)

##### Road Commission (Component Unit)

The Baraga County Road Commission offers all Road Commission employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. During 1998, the assets of the plan were held in a trust in a custodial account as described in IRS Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodial account is held by the custodian thereof for the exclusive benefit of the participants and beneficiaries of this Section 457 plan and the assets may not be diverted to any other use. The administrator (PEBSCO) is agent of the employer for purposes of providing direction to the custodian of the custodial account from time to time to the investment of the funds held in the account, transfer of assets to, or from the account and all other matters. In accordance with the provisions of GASB Statement No. 32 requirements, plan balances and activities are not reflected in the Road Commission's financial statements.

#### NOTE E--ACCOUNTS RECEIVABLE

##### Road Commission (Component Unit)

The accounts receivable of the County Road Fund consist primarily of charges to other agencies, businesses and individuals for services and materials provided by the Road Commission on a cost reimbursement basis. All accounts are current and collectible.

##### County Hospital (Component Unit)

The Hospital Operating Fund accounts receivable balances, at their fiscal year ended September 30, 2003, may be summarized as follows:

Patient Accounts Receivable	\$ 3,607,237
Less: Allowance for Uncollectible Accounts	(534,826)
Allowance for Contractual Adjustments and Interim Payment Advances	<u>(1,274,761)</u>
Patient Accounts Receivable--Net	1,797,650
Due From Other Funds	437,277
Other Accounts Receivable	<u>66,239</u>
Total Accounts Receivable	<u><u>\$ 2,301,166</u></u>

# BARAGA COUNTY

## NOTES TO FINANCIAL STATEMENTS

### NOTE F--INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
98 Tax Revolving	\$ 62,000	2002 Tax Revolving	\$186,000
99 Tax Revolving	49,000		
2000 Tax Revolving	50,000		
2001 Tax Revolving	25,000		
	<u>\$ 186,000</u>		<u>\$186,000</u>
Component Unit		Primary Government	
Hospital	<u>\$ 437,277</u>	Hospital Bond Debt	<u>\$437,277</u>
	<u>\$ 437,277</u>		<u>\$437,277</u>

### NOTE G--TRANSFERS IN AND TRANSFERS (OUT)

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers (Out)</u>
Primary Government		Primary Government	
General	\$ 79,267	Social Services Fund	\$ 15,037
		1996 100% Tax Payment	64,230
Housing 2003-2004 Grant	2,937	Housing 2000-2002 Grant	2,937
Law Library	3,000	General	73,400
Probate Child Care	55,000		
Veterans Affairs	15,400		
	<u>\$ 155,604</u>		<u>\$ 155,604</u>
Total Primary Government	<u>\$ 155,604</u>	Total Primary Government	<u>\$ 155,604</u>
Component Unit		Primary Government	
Hospital	<u>\$ 225,719</u>	Hospital Bond Debt	<u>\$225,719</u>
	<u>\$ 225,719</u>		<u>\$225,719</u>



# BARAGA COUNTY

## NOTES TO FINANCIAL STATEMENTS

### NOTE H--RESERVE FOR SELF-INSURANCE

#### Road Commission--(Component Unit)

The Baraga County Board of Road Commissioners' policy is to self-insure for fleet collision coverage and employee group life coverage. The Collision Insurance Reserve Account was established in 1969 and the Life Insurance Reserve Account in 1982. The reserve accounts are funded by annual transfers of amounts equal to what the approximate premium would be on the respective coverage, plus interest earned on interest-bearing deposits of the reserve account. The Road Commission's policy provides that the transfers of premium amounts will be discontinued when the annual interest earnings on the reserve account is greater than the estimated premium cost. All collision repair costs on road equipment and group life benefit payments are expended when paid and closed to the respective reserve account at year-end.

	Collision Insurance Reserve	Life Insurance Reserve	Total Self-Insurance Reserve
Balance-October 1, 2002	\$ 142,160	\$ 68,496	\$ 210,656
Additions			
Interest Earned	4,214	2,031	6,245
Deductions			
2002/2003 Charges for Claims			
Balance--September 30, 2003	<u>\$ 146,374</u>	<u>\$ 70,527</u>	<u>\$ 216,901</u>

# BARAGA COUNTY

## NOTES TO FINANCIAL STATEMENTS

### NOTE I--GENERAL FIXED ASSETS ACCOUNT GROUP

The only general fixed assets recorded by the county are those of the Road Commission (component unit).  
A summary of changes in the Road Commission's general fixed assets follows:

	Account Balances 10/01/2002	Additions	Deductions	Account Balances 09/30/2003
Fixed Assets Accounts				
Land and Improvements	\$ 34,277			\$ 34,277
Building	469,921	\$ 3,368		473,289
Road Equipment	4,843,541	983,608	\$ 633,698	5,193,451
Shop Equipment	97,921	650	288	98,283
Office Equipment	72,961	90		73,051
Engineer's Equipment	47,345	39,618		86,963
Stockroom Equipment	42,138		168	41,970
Depletable Assets	53,083			53,083
Total	5,661,187	1,027,334	634,154	6,054,367
Reserve for Depreciation Accounts				
Building	269,991	10,942		280,933
Road Equipment	4,233,942	294,032	494,052	4,033,922
Shop Equipment	73,950	3,897	288	77,559
Office Equipment	58,558	3,256		61,814
Engineer's Equipment	31,095	5,643		36,738
Stockroom Equipment	27,243	3,094	168	30,169
Reserve for Depletion	49,427	12		49,439
Total	4,744,206	320,876	494,508	4,570,574
Plant and Equipment Equity				
Road Commission Funds	\$ 916,981	\$ 1,027,334	\$ 460,522	\$ 1,483,793

# BARAGA COUNTY

## NOTES TO FINANCIAL STATEMENTS

### NOTE J--PROPERTY, PLANT AND EQUIPMENT

#### County Hospital--(Component Unit)

A summary of the County Hospital's property plant and equipment accounts at September 30, 2003 and 2002 follows:

	<u>2002</u>	<u>Additions</u>	<u>Transfers</u>	<u>Retirements</u>	<u>2003</u>
Land	\$ 153,337				\$ 153,337
Land Improvements	454,239	\$ 5,833			460,072
Buildings	10,932,280	494,006	\$ 100,539		11,526,825
Equipment	4,559,930	375,406	17,464	\$ (34,185)	4,918,615
Construction in Progress	<u>118,003</u>	<u>200,044</u>	<u>(118,003)</u>		<u>200,044</u>
Total Cost	<u>16,217,789</u>	<u>1,075,289</u>	<u>-</u>	<u>(34,185)</u>	<u>17,258,893</u>
Less Accumulated Depreciation					
Land and Improvements	157,098	28,057		(32)	185,123
Building and Improvements	4,758,424	574,372		(1,536)	5,331,260
Equipment	<u>3,548,675</u>	<u>277,332</u>		<u>(24,268)</u>	<u>3,801,739</u>
Total Accumulated Depreciation	<u>8,464,197</u>	<u>879,761</u>	<u>-</u>	<u>(25,836)</u>	<u>9,318,122</u>
Net Property, Plant and Equipment	<u>\$7,753,592</u>	<u>\$ 195,528</u>	<u>\$ -</u>	<u>\$ (8,349)</u>	<u>\$ 7,940,771</u>

Construction in progress at September 30, 2003 is composed of costs associated with renovation of buildings and parking lots. The renovations are estimated to cost \$330,000 and are expected to be completed during 2004. Management plans to finance the projects with operating cash flows.

Depreciation expense aggregated \$879,761 and \$1,017,937 for the years ended September 30, 2003 and 2002, respectively.

# BARAGA COUNTY

## NOTES TO FINANCIAL STATEMENTS

### NOTE K--LONG-TERM DEBT

The County Hospital's long-term liabilities are summarized as follows:

	Balance 2002	Additions (Reductions)	Balance 2003	Current Portion
Mortgage payable to bank with quarterly interest only payments of 5.55% through July 2000, then monthly payments of \$20,031 including interest at 5.55% beginning August 2000 through June 2006. Thereafter the monthly payment will be recomputed with interest at 71% of the bank's prime rate to amortize the remaining balance over the life of the loan which matures July 2020. This note is collateralized by mortgages on real estate.	\$ 2,713,471	\$ (92,091)	\$ 2,621,380	\$ 97,333
Bank note payable with montly payments of \$17,444 including interest at 7% due October 2013 and collateralized by all real property, inventory, accounts receivable and equipment other than capital leases.	1,604,560	(100,185)	1,504,375	107,428
Note payable related to acquisition of equipment due in total monthly payments of \$7,449 including interest ranging from 5.31% to 5.60%, due March 2005 and collateralized by the equipment.	208,587	(75,094)	133,493	84,453
Mortgae note due to private party with monthly payments of \$1,968, including interest at 6.75% and maturing July 2007	95,758	(17,697)	78,061	18,930
Other bank note due in monthly payments of \$6,556, including interest at 5.55%, Due November 2003 and collateralized by specific equipment.	6,528	(6,528)	-	
Total	<u>\$ 4,628,904</u>	<u>\$ (291,595)</u>	<u>\$ 4,337,309</u>	<u>\$ 308,144</u>

The following is a schedule by years of debt principal and interest as of September 30, 2003:

	Principal	Interest
2004	\$ 308,144	\$ 259,450
2005	287,356	235,700
2006	253,910	219,410
2007	264,599	202,815
2008	263,490	186,209
2009-2013	1,599,081	649,416
2014-2018	952,665	253,130
2019-2023	408,064	21,486
	<u>\$ 4,337,309</u>	<u>\$2,027,616</u>

In connection with the mortgage and bank notes payable, the corporation has agreed to certain covenants including submission of monthly financial statements to the banks, limitation on fixed assets additions, maintenance of certain financial ratios and completion of a semi-annual review of the corporation's contractual allowance calculation.

# BARAGA COUNTY

## NOTES TO FINANCIAL STATEMENTS

### NOTE K--LONG-TERM DEBT (Continued)

#### Primary Government

The general long-term debt and other general long-term obligations of Baraga County, and changes therein, may be summarized as follows:

	Balance 10/01/2002	Additions (Reductions)	Balance 09/30/2003
<u>Primary Government</u>			
1998 Hospital Improvement Refunding Bonds maturing serially in annual amounts ranging from \$10,000 to \$185,000 at interest ranging from 4.10% to 4.80%	\$ 1,525,000	\$ (120,000)	\$ 1,405,000
1997 Jail Building Bonds maturing serially in annual amounts ranging from \$25,000 to \$175,000 at interest ranging from 4.65% to 7.5%	1,250,000	(75,000)	1,175,000
Accrued Employee Benefits Payable County General Employees (See Note N)	91,185	3,801	94,986
Total Primary Government	<u>\$ 2,866,185</u>	<u>\$ (191,199)</u>	<u>\$ 2,674,986</u>
<u>Component Unit--Board of Public Works</u>			
1979 DPW Sanitary Sewer System No. 2 Bonds maturing serially in annual amounts ranging from \$20,000 to \$70,000 at 5% interest	\$ 915,000	\$ (50,000)	\$ 865,000
2002 DPW Sanitary Sewer System Bonds maturing serially in annual amounts ranging from \$16,000 to \$95,000 at 4.5% interest	893,000	715,000 (16,000)	1,592,000
Total Component Unit--Board of Public Works	<u>\$ 1,808,000</u>	<u>\$ 649,000</u>	<u>\$ 2,457,000</u>
<u>Component Unit--Road Commission</u>			
Installment Purchase Agreement Payable to Commercial National Bank for One CAT D3 Dozer		\$ 60,000 (14,471)	\$ 45,529
One Case 821 C Loader		140,000 (33,766)	106,234
Four-CAT 140H Motor Graders		635,802 (24,425)	611,377
Vested Employee Benefits Payable	<u>\$ 357,380</u>	<u>(12,499)</u>	<u>344,881</u>
Total Component Unit--Road Commission	<u>\$ 357,380</u>	<u>\$ 750,641</u>	<u>\$ 1,108,021</u>
Total Component units General Long-Term Debt	<u>\$ 2,165,380</u>	<u>\$ 1,399,641</u>	<u>\$ 3,565,021</u>

# BARAGA COUNTY

## NOTES TO FINANCIAL STATEMENTS

### NOTE K--LONG-TERM DEBT (Continued)

#### Primary Government

#### 1998 Baraga County Memorial Hospital Improvement Refunding Bonds

The 1998 Baraga County Memorial Hospital Improvement Refunding Bonds are general obligation limited tax bonds which were sold for the purpose of providing funds to redeem \$1,370,000 of those 1991 Baraga County Memorial Hospital Improvement Bonds which were due in the years 2002 through 2011.

The bonds are secured by a pledge of the extra voted 2.5 mills approved by the voters of Baraga County on October 2, 1990 to provide the money required to meet the principal and interest on these bonds.

Fiscal Year	April 1 Interest	October 1		Total
		Interest	Principal	
2004	\$ 29,849	\$ 32,838	\$ 130,000	\$ 192,687
2005	26,956	29,849	130,000	186,805
2006	23,771	26,956	140,000	190,727
2007	20,321	23,771	150,000	194,092
2008	16,718	20,321	155,000	192,039
2009-2011	26,040	42,758	700,000	768,798
	<u>\$143,655</u>	<u>\$176,493</u>	<u>\$1,405,000</u>	<u>\$1,725,148</u>

#### 1997 Jail Building Bonds

The 1997 Baraga County Jail Bonds are general obligation unlimited tax bonds which were sold for the purpose of building a new jail. The bonds are secured by a pledge of the extra voted mills approved by the voters of Baraga County on August 6, 1996 to provide the money required to meet the principal and interest on these bonds

Fiscal Year	October 1 Interest	April 1		Total
		Interest	Principal	
2004	\$ 29,012	\$ 29,012	\$ 75,000	\$ 133,024
2005	27,269	27,269	100,000	154,538
2006	24,893	24,894	100,000	149,787
2007	22,469	22,469	125,000	169,938
2008	19,375	19,375	125,000	163,750
2009-2012	41,875	41,874	650,000	733,749
	<u>\$164,893</u>	<u>\$164,893</u>	<u>\$1,175,000</u>	<u>\$1,504,786</u>

# BARAGA COUNTY

## NOTES TO FINANCIAL STATEMENTS

### NOTE K--LONG-TERM DEBT (Continued)

#### Component Unit--Board of Public Works

#### 1979 DPW Sewage System #2 Bonds

The 1979 DPW Sewage System #2 Bonds were issued in accordance with the provisions of Public Act 185 of 1957, as amended, to finance a sewage system improvement project for the Village of L'Anse and Township of L'Anse, which was administered by the Baraga County Department of Public Works. Annual payments by L'Anse Village (83.6%) and L'Anse Township (16.4%) to the county, in accordance with a contractual agreement, provide the money required to meet principal and interest on these bonds.

Fiscal Year	November 1 Interest	May 1		Total
		Interest	Principal	
2004	\$ 21,625	\$ 21,625	\$ 55,000	\$ 98,250
2005	20,250	20,250	55,000	95,500
2006	18,875	18,875	60,000	97,750
2007	17,375	17,375	60,000	94,750
2008	15,875	15,875	65,000	96,750
2009-2017	68,875	68,875	570,000	707,750
	<u>\$ 162,875</u>	<u>\$162,875</u>	<u>\$865,000</u>	<u>\$1,190,750</u>

#### 2002 DPW Sewage System Improvements Bonds

The 2002 DPW Sanitary Sewage System Improvements Bonds were issued in accordance with the provisions of Public Act 185 of 1957, as amended, to finance a sewage system improvement project for the Village of L'Anse and Township of L'Anse, which was administered by the Baraga County Department of Public Works. Annual payments by L'Anse Village (83.56%) and L'Anse Township (16.44%) to the county, in accordance with a contractual agreement, provide the money required to meet principal and interest on these bonds. The total bond issue approved by the U.S. Department of Agriculture, Rural Development is \$1,750,000. As of September 30, 2003, a total of \$1,608,000 of this bond issue has been drawn down for the sewage system improvement project with interest payable at 4.5% per annum with interest payable semi-annually. There is no set interest schedule printed for bond issues because it changes based upon when the payment is delivered to the USDA.

# BARAGA COUNTY

## NOTES TO FINANCIAL STATEMENTS

### NOTE K--LONG-TERM DEBT (Continued)

<u>Fiscal Year</u>	<u>July 1 Principal</u>
2004	\$ 17,000
2005	18,000
2006	19,000
2007	20,000
2008	20,000
2009-2042	<u>1,640,000</u>
	<u>\$1,734,000</u>

### Component Unit--Road Commission

#### Installment Purchase Contracts

The installment purchase contract was entered into on December 19, 2002 for the purchase of one CAT D3 Dozer for at a cost of \$60,000 from Commercial National Bank. The agreement bears interest at 3.04% per annum with 36 monthly payments of \$1,745.99 and is summarized as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$19,862	\$1,090	\$20,952
2005	20,456	496	20,952
2006	<u>5,211</u>	<u>27</u>	<u>5,238</u>
Total	<u>\$45,529</u>	<u>\$1,613</u>	<u>\$47,142</u>

The installment purchase contract was entered into on January 2, 2003 for the purchase of One Case 821 C Loader at a cost of \$140,000 from Commercial National Bank. The agreement bears interest at 3.04% per annum with 36 monthly payments of \$4,073.97 and is summarized as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 46,344	\$2,544	\$ 48,888
2005	47,730	1,158	48,888
2006	<u>12,160</u>	<u>89</u>	<u>12,249</u>
Total	<u>\$106,234</u>	<u>\$3,791</u>	<u>\$110,025</u>



## BARAGA COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE K--LONG-TERM DEBT (Continued)

The installment purchase contract was entered into on July 16, 2003 for the purchase of Four-CAT 140H Motor Graders for a total cost of \$635,802 from Commercial National Bank. The agreement bears interest at 4.04% per annum with 48 monthly payments of \$14,367.19 and is summarized as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$150,545	\$21,861	\$172,406
2005	156,669	15,738	172,407
2006	163,116	9,290	172,406
2007	<u>141,047</u>	<u>2,625</u>	<u>143,672</u>
Total	<u>\$611,377</u>	<u>\$49,514</u>	<u>\$660,891</u>

#### NOTE L--COMPENSATED ABSENCES

The County and the Road Commission (component unit) have an accrued liability to their employees for accumulated vested vacation and sick leave benefits which are recorded in their respective general long-term debt account groups at September 30, 2003.

##### County Hospital (Component Unit)

The accrued liability for compensated absences of the County Hospital employees is charged to operations when it is earned. Unused benefits are recorded as current liabilities on the County Hospital financial statements.

#### VACATION BENEFIT POLICIES

##### County General Employees

The county's employment policies provide for vacation benefits to be earned in varying amounts depending on an employee's years of service. The annual vacation benefits earned by each employee are credited on his or her employment anniversary date. Employees are required to use their vacation benefits within 1 year.

##### Road Commission (Component Unit) Employees

Road Commission employment policies provide for vacation benefits to be earned in varying amounts depending on the number of years of service of an employee. The amount of vacation time accrued by December 31st of the current year shall be taken off the following year.

# BARAGA COUNTY

## NOTES TO FINANCIAL STATEMENTS

### NOTE L--COMPENSATED ABSENCES (Continued)

#### SICK LEAVE BENEFIT POLICIES

##### County General Employees

The county's employment policies provide for sick leave benefits to be earned at the rate of 1 day per month for full-time employees and 1/2 day per month for half-time employees, with a maximum accumulation of 120 days. An employee may use sick days for personal days at the rate of 2 sick for 1 personal; this may be done twice a year, regardless of the total sick days accumulated. After 48 sick days have been accumulated, with the approval of the department head, an employee may trade sick days on a 2-to-1 ratio for personal days.

When county general employees separate from employment, for whatever reason, they are paid at their current pay rate for accumulated sick days up to a maximum payment of 60 days, determined on the basis of total years of employment with the county as follows:

- |   |             |
|---|-------------|
| a) Starting date through the end of 10th year of employment       | 50 percent  |
| b) First day of 11th employment year to termination of employment | 100 percent |

##### Road Commission (Component Unit) Employees

The Road Commission employment policies provide for sick leave benefits to accumulate at the rate of 1 day per month for all regular employees who have worked more than 1/2 of the normal working hours during the month. There is no limit on accumulation of sick leave, and accumulated benefits shall be paid at the employee's prevailing rate of pay in accordance with the following policy:

- a) Retirement or Death--An employee shall receive pay in a lump sum for accumulated sick leave at the following rate: 100% of the first 120 days and 50% of the remainder.
- b) Resignation--An employee shall receive pay in a lump sum for accumulated vested sick leave computed as follows:

0 to 5 years	No sick leave benefits
5 to 10 years	50% of accumulated benefits
10 to 15 years	75% of the first 120 days and 50% of the remainder
15 or more years	100% of the first 120 days and 50% of the remainder

The sick leave benefits liability recorded in the general long-term debt account group reflects only those vested benefits which would be payable if an employee terminates employment.

## BARAGA COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE M--RISK MANAGEMENT

The County, Road Commission (component unit), and Memorial Hospital (component unit) are exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees.

##### County General

The county board of commissioners have purchased commercial insurance for property, liability, errors and omissions, medical benefit claims and workers compensation. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past 3 years.

##### Road Commission (Component Unit)

The Road Commission has purchased commercial insurance for medical benefits claims, self-insures for fleet collision and employee group life coverage as detailed in Note H, and participates in the Michigan County Road Commission Self-Insurance Pool for claims relating to general liability, excess liability, auto liability, errors and omissions, physical damage (equipment, buildings and contents) and workers compensation. Settled claims for the commercial and pool insurance have not exceeded the amount of insurance coverage in any of the past 3 years.

The county road commissions in the State of Michigan established and created a trust fund, known as the Michigan County Road Commission Self-Insurance Pool (Pool), pursuant to the provisions of Public Act 138 of 1982. The Pool is to provide for joint and cooperative action relative to members' financial and administrative resources for the purpose of providing risk management services along with property and liability protection. Membership is restricted to road commissions and related road commission activities with the State. The Baraga County Road Commission became a member of the Pool in 1980 for workers compensation insurance and in 1984 for liability and property coverage.

The Michigan County Road Commission Self-Insurance Pool program operates as a common risk-sharing management program for road commissions in Michigan; member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts.

##### County Hospital (Component Unit)

The County Hospital is exposed to various risks of loss related to property loss, errors and omissions, employee injuries (workers' compensation), and professional liability claims as well as medical benefits provided to employees. The County Hospital has purchased commercial insurance for the above claims. Settled claims relating to commercial insurance have not exceeded the amount of insurance in any of the past three years.

## BARAGA COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE M--RISK MANAGEMENT (Continued)

The County Hospital is insured against potential professional liability claims under a claims-made policy, whereby only the claims reported to the insurance carrier during the policy period are covered regardless of when the incident giving rise to the claim occurred. Under the terms of the policy the County Hospital must pay a deductible towards the costs of litigating or settling any asserted claims. In addition, the County Hospital bears the risk of the ultimate costs of any individual claims exceeding the policy limits for claims asserted in the policy year. At September 30, 2003 and 2002, \$15,035 and \$12,754, respectively, were accrued for this contingency.

Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during the claims-made term, but reported subsequently, will be uninsured.

#### NOTE N--EMPLOYEE PENSION PLANS--PRIMARY GOVERNMENT

##### Plan Description

Baraga County is an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS), administered by the State of Michigan. The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, non-duty and duty-connected death allowance and post-retirement adjustments to plan members and their beneficiaries. The county service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.25% times the final average compensation for the General County Employees and Sheriffs Department. The most recent period for which actuarial data was available was for the fiscal period ended December 31, 2002.

MERS was organized pursuant to Section 12a of Public Act 156 of 1851 (MSA 5.333(a); MCLA 46.12(a)), as amended, State of Michigan. MERS is regulated under Public Act 220 of 1996, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917.

##### Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the county's competitive bargaining units. The county's pension contributions were 15.12% and 9.27% of covered payroll for the year 2002 for the general county employees and sheriff's department, respectively.

# BARAGA COUNTY

## NOTES TO FINANCIAL STATEMENTS

### NOTE N--EMPLOYEE PENSION PLANS--PRIMARY GOVERNMENT (Continued)

#### Annual Pension Cost

For the calendar year ended December 31, 2002, the county's pension cost was \$120,402 which was equal to the county's required and actual contributions. The required pension contributions for the year 2002 was determined as part of an actuarial valuation at December 31, 2000. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years.

The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8% and annual salary increases of 4.5% based on an age-related scale to reflect merit, longevity, and promotional salary increases.

#### Three-Year Trend Information for GASB Statement No. 27

<u>Year Ended Dec 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2000	\$ 127,647	100%	\$0
2001	117,350	100%	0
2002	120,402	100%	0

#### Required Supplementary Information for GASB Statement No. 27

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Underfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
12/31/00	\$ 2,501,984	\$2,993,419	\$ (491,435)	84%	\$ 777,473	63%
12/31/01	2,697,335	3,144,769	(447,434)	86%	898,945	50%
12/31/02	2,792,254	3,394,253	(601,999)	82%	901,428	67%

## BARAGA COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE O--COUNTY ROAD COMMISSION PENSION PLAN (COMPONENT UNIT)

##### Description of Plan and Plan Assets

The Baraga County Road Commission is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death, duty-connected death, and post-retirement adjustments to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.00% times the final average compensation (FAC). The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2002.

MERS was organized pursuant to Section 12a of Public Act 156 of 1851 (MSA 5.333(a); MCLA 46.12(a)), as amended, State of Michigan. The MERS actuarial report was made in accordance with generally recognized actuarial methods in compliance with Public Act 220 of 1996, as amended, and the MERS plan document as revised. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917.

##### Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Road Commission's competitive bargaining unit and personnel policy, which does not require employees to contribute to the plan. The Road Commission is required to contribute at an actuarially determined rate; the rate was 10.49% for the calendar year ending December 31, 2002.

##### Annual Pension Cost

During the calendar year ended December 31, 2002, the Road Commission's contributions totaling \$114,527 were made in accordance with contribution requirement determined by an actuarial valuation of the plan as of December 31, 2000. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his or her projected benefit.

# BARAGA COUNTY

## NOTES TO FINANCIAL STATEMENTS

### NOTE O--COUNTY ROAD COMMISSION PENSION PLAN (COMPONENT UNIT)

(Continued)

#### Three Year Trend Information for GASB Statement No. 27

<u>Year Ended Dec 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2000	\$116,731	100%	\$0
2001	109,257	100%	0
2002	114,527	100%	0

#### Required Supplementary Information for GASB Statement No. 27

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Underfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
12/31/00	\$4,070,653	\$4,613,588	\$ 542,935	88%	\$ 903,527	60%
12/31/01	4,195,600	4,817,718	622,118	87%	958,639	65%
12/31/02	4,139,171	5,175,064	1,035,893	80%	1,003,239	103%

Significant actuarial assumptions used include:

- 1) Long-term investment yield rate of 8%;
- 2) Annual salary increases of 4.5% plus a percentage based on an age-related scale to reflect merit, longevity, and promotional salary increases; and
- 3) Base inflation of 4.5%.

### NOTE P--COUNTY HOSPITAL PENSION PLAN (COMPONENT UNIT)

#### Plan Description

The County Hospital sponsors both a defined benefit plan and a defined contribution plan. The County Hospital participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all full-time employees of the County Hospital. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan, 48917.

# BARAGA COUNTY

## NOTES TO FINANCIAL STATEMENTS

### NOTE P--COUNTY HOSPITAL PENSION PLAN (COMPONENT UNIT) (Continued)

#### Funding Policy

Benefit provisions of the MERS, and employer and employee obligations to contribute are outlined in Public Act 427 of 1984, as amended. Pension expenses consist of normal costs of the plan and amortization of investment gains over a 10-year period.

#### Annual Pension Cost

The County Hospital's contributions to the plan amounted to \$400,190 and \$395,507 in 2002 and 2001, respectively. The actuarially determined contribution requirements have been met based on actuarial valuations performed at December 31, 1999 and 2000.

Three-year trend information showing the progress of the County Hospital's status regarding key indicators is as follows:

	As of December 31		
	2002	2001	2000
Annual Pension Cost (APC)	\$ 400,190	\$ 395,507	\$ 434,586
Percentage of APC Contributed	100%	100%	100%
Actuarial Value of Assets	6,569,879	6,166,206	5,864,766
Actuarial Accrued Liability (entry age)	9,626,520	8,833,291	8,554,722
Unfunded Actuarial Accrued Liability (UAAL)	(3,056,641)	(2,667,085)	(2,689,956)
Funded Ratio	68.25%	69.81%	68.56%
Covered Payroll	4,864,914	4,813,285	5,271,778
UAAL as a Percentage of Covered Payroll	62.83%	55.41%	51.03%

#### Defined Contribution

The County Hospital began sponsoring a defined contribution plan during the year ended September 30, 2001, covering exempt employees hired after May 1, 2001 and all other exempt employees who elected to change from the defined benefit plan. Participating employees in this plan must contribute either 0 or 3 percent of their gross earnings and the County Hospital will contribute 5.57 percent of gross earnings for participants. The County Hospital's contributions to the plan amounted to \$58,732 and \$32,313 in 2003 and 2002, respectively.



## BARAGA COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE Q--HOSPITAL BOND DEBT MILLAGE

In October 1990, Baraga County voters approved a referendum authorizing the county to issue general obligation bonds in the amount of \$2,000,000 with the proceeds used to partially finance a hospital construction project. Debt service on the bonds is being provided by an additional tax of 2.5 mills; the County Hospital has no obligation for repayment of the bonds. Tax receipts received by the county from the 2.5 mills that exceed the annual debt service on the bonds are to be utilized by the County Hospital for capital expenditures. During the years ended September 30, 2003 and 2002, the excess millage funds amounted to \$225,719 and \$204,444, respectively, which are shown as an increase to the County Hospital's general fund balance. At September 30, 2003 and 2002 the County Hospital had a receivable of \$437,277 and \$411,558, respectively, for these funds.

#### NOTE R--CONCENTRATIONS OF CREDIT RISK--COUNTY HOSPITAL (COMPONENT UNIT)

The County Hospital (component unit) is located in L'Anse, Michigan. The County Hospital grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at September 30, 2003 and 2002, was as follows:

	<u>2003</u>	<u>2002</u>
Medicare	31%	38%
Medicaid	35%	28%
Blue Cross	11%	12%
Commercial	9%	10%
Patients	<u>14%</u>	<u>12%</u>
Total	<u>100%</u>	<u>100%</u>

#### NOTE S--POST-EMPLOYMENT BENEFITS

##### Primary Government

The county provides post-employment health care benefits, in accordance with Article 32 of the labor contracts and personnel policy, to any employees who retire from the county at age 62 with 14 years of continuous service with the county work force. The county will pay hospitalization premiums until the employee reaches age 65. Coverage is intended for the entire family. The provision does not apply to anyone retiring before age 62 or anyone not working full-time. The county's policy is to finance this benefit on a pay-as-you-go basis. During the fiscal year ended September 30, 2003, one retiree and/or disabled employees were eligible for this benefit at a total cost of \$5,385.

## BARAGA COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE S--POST-EMPLOYMENT BENEFITS (Continued)

##### Road Commission (Component Unit)

In addition to the pension benefits described in Note O, the Baraga County Road Commission provides post-employment health care insurance benefits to certain retired or permanently disabled union and administrative employees and/or their spouse in accordance with the following provisions:

Retired Union Employees--The benefits are provided in accordance with Article 33(A.2) of the union agreement, which includes the provision that when an employee elects to retire early, the Road Commission agrees to pay the medical insurance premium from age 62 to 65 or until the employee qualifies for Medicare, whichever comes sooner.

Retired Administrative Employees--The benefits are provided in accordance with Section 10(A.2) of the "General Employee Policy pertaining to Non-Bargaining Unit Employees," which includes the provision that when an employee elects to retire early, the Road Commission agrees to pay the medical insurance premium from age 60 to 65 or until the employee qualified for Medicare, whichever comes sooner.

Permanently Disabled Employees--The benefits are provided in accordance with a board of road commissioners' policy adopted on November 13, 1996, which includes the provision that any regular employee having 20 years of service with the Road Commission who becomes permanently disabled, or any regular employee having 5 years of service with the Road Commission, who becomes permanently disabled after reaching age 55, shall be eligible for health insurance benefits for a 36 month period. Said period shall commence the month after the month of the last day worked. Eligible employees are those who have been determined to be permanently disabled and are receiving social security disability and MERS retirement benefits. During the three year period under this policy, the Road Commission will pay the premiums for primary coverage until such time that the employee qualifies for Medicare Part B, at which time the Road Commission will pay the premium for secondary coverage.

The Road Commission's policy is to finance this benefit on a pay-as-you-go basis. During the fiscal year ended September 30, 2003, five retirees and/or disabled employees were eligible for this benefit at a total cost of \$34,079.

## BARAGA COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE T--FEDERAL GRANTS--ROAD COMMISSION (COMPONENT UNIT)

The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the fiscal year ended September 30, 2003, the Federal aid expended by the Road Commission was \$753,858 for contracted projects and \$336,421 for negotiated projects. The Federal aid received by the Road Commission was \$753,858 for contracted projects and \$173,002 for negotiated projects. The difference between the revenue and expenditures for negotiated projects is due to FEMA projects in progress at September 30, 2003, which are to be billed after project completions. Contracted projects are defined as projects performed by private contractors paid for and administrated by MDOT. The contracted Federal projects are not subject to single audit requirements by the road commissions, as they are included in MDOT's Single Audit. Negotiated projects are defined as projects performed by Road Commission employees or private contractors paid for and administrated by the Road Commission and are subject to a single audit if the expenditures exceeded \$300,000. A Single Audit was performed during the fiscal year ended September 30, 2003, as there was \$336,421 expended in Federal Awards.

**BARAGA COUNTY**  
**STATEMENT OF REVENUES AND OTHER SOURCES--BY SOURCE**  
**BUDGET AND ACTUAL--GENERAL FUND**  
**For the Fiscal Year Ended September 30, 2003**

**EXHIBIT H**

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Taxes</b>			
Current Property Taxes	\$ 1,161,524	\$ 1,161,494	\$ (30)
Delinquent Real Property Tax	124,500	124,572	72
Unpaid Personal Property Tax	13,500	14,916	1,416
Stumpage Yield Tax	8,500	8,743	243
Commercial Forest Tax (State)	45,900	45,991	91
Trailer Park Tax	150	113	(37)
Tax Reverted Lands	50		(50)
Swamp Lands Tax	73,000	73,030	30
Federal Payments-in-Lieu of Taxes	40,000	40,382	382
Tax Collection Fees	1,000	659	(341)
<b>Total Taxes</b>	<b>1,468,124</b>	<b>1,469,900</b>	<b>1,776</b>
<b>Licenses and Permits</b>			
Marriage Licenses	250	325	75
Marriage License Counseling Fees	700	825	125
Dog Licenses	250	302	52
Soil Erosion Permits	1,200	2,290	1,090
Other--Non Business	700	420	(280)
<b>Total Licenses and Permits</b>	<b>3,100</b>	<b>4,162</b>	<b>1,062</b>
<b>Federal Grants</b>			
Emergency Services Program	6,500	7,268	768
Domestic Preparedness Equipment Grant	33,950	33,950	-
Cooperative Reimbursement Program	24,000	24,052	52
ADC Incentive Program	13,000	13,123	123
<b>Total Federal Grants</b>	<b>77,450</b>	<b>78,393</b>	<b>943</b>
<b>State Grants</b>			
Judges' Salary Standardization	47,933	48,155	222
Snowmobile Safety Program	2,700	2,738	38
Secondary Road Patrol	41,850	37,782	(4,068)
Marine Safety Program	9,450	9,536	86
Act 302 Officer Training	1,300	1,327	27
Cooperative Reimbursement Program		1,319	1,319
Child Care Basic Grant	15,000	15,000	-
Court Case Flow Assistance	3,000	2,214	(786)
Court Equity Fund	50,000	50,485	485
Prison Inmate Prosecution	20,000	9,551	(10,449)
Juvenile Officer	27,319	27,317	(2)
Diverted Felons Program	12,000	12,528	528
Crime Victims Rights	9,000	9,000	-
Prison Inmate Defense	20,000	83,152	63,152
Cigarette Tax	7,500	7,548	48
Convention Facilities Tax	25,500	25,589	89
State Revenue Sharing	143,000	143,544	544
State Single Business Tax	12,000	11,786	(214)
Remonumentation Program	55,047	54,365	(682)
<b>Total State Grants</b>	<b>502,599</b>	<b>552,936</b>	<b>50,337</b>

**BARAGA COUNTY**  
**STATEMENT OF REVENUES AND OTHER SOURCES--BY SOURCE**  
**BUDGET AND ACTUAL--GENERAL FUND**  
**For the Fiscal Year Ended September 30, 2003**

**EXHIBIT H**  
**(CONTINUED)**

	Budget	Actual	Variance Favorable (Unfavorable)
Charges for Services			
Circuit Court Costs	6,700	4,181	(2,519)
District Court Costs	96,000	103,507	7,507
District Court Supervision Fees	9,500	11,257	1,757
Bond Costs	1,200	1,980	780
Probation Fees	9,500	10,119	619
Circuit Court Services	1,200	1,702	502
Friend of the Court Services	7,000	7,176	176
Probate Court Services	3,500	3,238	(262)
Treasurer Services	800	1,442	642
Clerk Services	10,000	10,212	212
Register of Deeds Services	42,100	46,921	4,821
Real Estate Transfer Tax	27,000	30,678	3,678
Abstractor Services	37,500	37,991	491
District Court Civil Fees	4,500	6,214	1,714
Sheriff Services	6,200	6,647	447
Equalization Department Services	9,000	9,144	144
Inmates Board and Care	7,000	18,289	11,289
Jail Bed Rental	65,000	59,440	(5,560)
Inmate Phone Services	3,000	4,475	1,475
Sale of Supplies	200	182	(18)
Total Charges for Services	346,900	374,795	27,895
Fines and Forfeits			
Ordinance Fines and Costs	8,500	9,324	824
Bond Forfeitures	1,000	925	(75)
Total Fines and Forfeits	9,500	10,249	749
Interest and Rents			
Interest Earned	19,000	21,474	2,474
Other Revenue			
Reimbursements			
Hospitalization Insurance Premiums	28,000	26,983	(1,017)
Mental Health Transporting	12,000	15,465	3,465
General Refunds and Reimbursements	10,000	3,255	(6,745)
Total Other Revenue	50,000	45,703	(4,297)
Total Revenues	2,476,673	2,557,612	80,939
Other Sources			
Operating Transfers In From (Primary Government)			
Social Services Fund		15,037	15,037
100% Tax Payment Funds	45,000	64,230	19,230
Total Other Sources	45,000	79,267	34,267
Total Revenue and Other Sources	\$ 2,521,673	\$ 2,636,879	\$ 115,206

**BARAGA COUNTY**  
**STATEMENT OF EXPENDITURES AND OTHER USES--BY ACTIVITY**  
**BUDGET AND ACTUAL--GENERAL FUND**  
**For the Fiscal Year Ended September 30, 2003**

**EXHIBIT I**

	Budget	Actual	Variance Favorable (Unfavorable)
Legislative			
Board of Commissioners	\$ 27,535	\$ 27,097	\$ 438
Judicial			
Circuit Court	131,712	131,364	348
District Court	76,566	69,012	7,554
District Court Magistrate	26,484	26,082	402
District Court Probation	20,000	20,000	-
Friend of the Court	46,500	45,942	558
Jury Commission	1,500	1,016	484
Probate Court	140,519	138,778	1,741
Total Judicial	443,281	432,194	11,087
General Government			
Elections	9,150	7,115	2,035
Clerk	63,811	62,669	1,142
County Audit	15,500	15,375	125
Equalization Department	79,844	79,294	550
Prosecuting Attorney	115,819	114,127	1,692
Register of Deeds	38,968	37,836	1,132
Abstractor	26,633	26,273	360
Treasurer	85,615	78,210	7,405
Cooperative Extension Service	48,322	48,117	205
Courthouse and Grounds	70,521	65,976	4,545
Resource Conservation and Development	325	300	25
Remonumentation Project	55,047	54,365	682
Record Copying	10,450	10,395	55
Miscellaneous	350	22	328
Total General Government	620,355	600,074	20,281
Public Safety			
Sheriff	222,302	214,084	8,218
Act 302 Training	3,000	872	2,128
Marine Safety Program	11,200	7,947	3,253
Snowmobile Safety Program	3,600	2,967	633
Secondary Road Patrol	41,850	38,077	3,773
Jail	240,196	237,315	2,881
Mine Inspector	1,320	1,212	108
Soil Erosion and Sedimentation	1,100	791	309
Emergency Services Program	16,628	16,014	614
Domestic Preparedness Equipment Grant	33,950	33,950	-
Animal Control	13,275	12,669	606
Total Public Safety	588,421	565,898	22,523

**BARAGA COUNTY**  
**STATEMENT OF EXPENDITURES AND OTHER USES--BY ACTIVITY**  
**BUDGET AND ACTUAL--GENERAL FUND**  
**For the Fiscal Year Ended September 30, 2003**

**EXHIBIT I**  
**(CONTINUED)**

	Budget	Actual	Variance Favorable (Unfavorable)
Health and Welfare			
District Health Department	18,413	18,413	-
District Health Department--Cigarette Tax	5,328	5,328	-
Substance Abuse Coordinating Agency	12,811	12,794	17
Medical Examiner	4,950	2,604	2,346
Community Mental Health Authority	33,795	33,795	-
Juvenile Court Counseling	28,778	28,773	5
Veterans Burials	6,000	5,120	880
UP Commission for Area Progress	400		400
Western UP Planning and Development Region	6,096	6,096	-
Total Health and Welfare	116,571	112,923	3,648
Recreation and Cultural			
County Fair Board	2,500	2,500	-
Other			
Insurance and Bonds	53,000	51,058	1,942
Employee Hospitalization Insurance	332,000	330,206	1,794
Employee Hospitalization Deductible	4,000	2,187	1,813
Payments-In-Lieu of Hospitalization	11,200	10,744	456
Prescription Payments	8,000	7,594	406
Employee Life Insurance	1,800	1,629	171
Employee Retirement	137,000	117,610	19,390
Social Security and Medicare	83,000	78,212	4,788
Unemployment Benefits	1,000		1,000
Other Employee Benefits	426	408	18
Total Other	631,426	599,648	31,778
Capital Outlay	5,800	2,218	3,582
Total Expenditures	2,435,889	2,342,552	93,337
Other Uses			
Operating Transfers (Out)			
Social Welfare Fund	3,500		3,500
Probate Child Care Fund	65,000	55,000	10,000
Veterans' Affairs Fund	15,400	15,400	-
Law Library Fund	4,500	3,000	1,500
Total Other Uses	88,400	73,400	15,000
Total Expenditures and Other Uses	\$ 2,524,289	\$ 2,415,952	\$ 108,337

**BARAGA COUNTY**  
**COMBINING BALANCE SHEET--SPECIAL REVENUE FUNDS**  
**September 30, 2003**

**EXHIBIT J**

	Friend of the Court	Register of Deeds Automation	911 Wireless	Senior Citizens	Law Library	Social Welfare	Housing Rehabilitation 2000-2002 Grant	2003-2004 Grant	Probate Child Care	Veterans' Affairs	Veterans' Trust	Total
<b><u>ASSETS</u></b>												
Cash	\$ 36,873	\$ 7,269	\$ 160,064	\$ 7	\$ 214			\$ 19,189	\$ 21,867	\$ 11,421	\$ 3,562	\$ 260,466
Current Taxes Receivable				3,684								3,684
Due From State of Michigan			19,620									19,620
Total Assets	\$ 36,873	\$ 7,269	\$ 179,684	\$ 3,691	\$ 214	\$ -	\$ -	\$ 19,189	\$ 21,867	\$ 11,421	\$ 3,562	\$ 283,770
<b><u>LIABILITIES AND FUND EQUITY</u></b>												
Liabilities												
Accounts Payable			\$ 3,280						\$ 15,946	\$ 141		\$ 19,367
Due to State of Michigan									817			817
Deferred Revenue--Taxes				\$ 3,684								3,684
Deferred Revenue--Other								\$ 16,252				16,252
Total Liabilities	\$ -	\$ -	3,280	3,684	\$ -	\$ -	\$ -	16,252	16,763	141	\$ -	40,120
Fund Equity												
Fund Balances												
Unreserved--Undesignated	36,873	7,269	176,404	7	214		-	2,937	5,104	11,280	3,562	243,650
Total Fund Equity	36,873	7,269	176,404	7	214	-	-	2,937	5,104	11,280	3,562	243,650
Total Liabilities and Fund Equity	\$ 36,873	\$ 7,269	\$ 179,684	\$ 3,691	\$ 214	\$ -	\$ -	\$ 19,189	\$ 21,867	\$ 11,421	\$ 3,562	\$ 283,770



**BARAGA COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE--SPECIAL REVENUE FUNDS**  
**For the Fiscal Year Ended September 30, 2003**

**EXHIBIT K**

	Friend of the Court	Register of Deeds Automation	911 Wireless	Senior Citizens	Law Library	Social Welfare	Housing Rehabilitation 2000-2002 Grant	2003-2004 Grant	Probate Child Care	Veterans' Affairs	Veterans' Trust	Total
Revenues												
Taxes				\$ 151,254								\$ 151,254
Federal Grants						\$ 1,957	\$ 2,937	\$ 19,423				24,317
State Grants			\$ 71,898	14,876					\$ 885		\$ 135	87,794
Charges for Services	\$ 735	\$ 7,269							270			8,274
Fines and Forfeits					\$ 2,000							2,000
Other						15,756		145	405			16,306
<b>Total Revenues</b>	<b>735</b>	<b>7,269</b>	<b>71,898</b>	<b>166,130</b>	<b>2,000</b>	<b>17,713</b>	<b>2,937</b>	<b>19,568</b>	<b>1,560</b>	<b>\$ -</b>	<b>135</b>	<b>289,945</b>
Expenditures												
Current												
Judicial					5,284							5,284
Public Safety			12,404									12,404
Health and Welfare				163,609		21,418		19,568	52,752	10,606	1,881	269,834
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>12,404</b>	<b>163,609</b>	<b>5,284</b>	<b>21,418</b>	<b>-</b>	<b>19,568</b>	<b>52,752</b>	<b>10,606</b>	<b>1,881</b>	<b>287,522</b>
Excess of Revenue Over (Under) Expenditures	735	7,269	59,494	2,521	(3,284)	(3,705)	2,937	-	(51,192)	(10,606)	(1,746)	2,423
Other Financing Sources (Uses)												
Operating Transfers In--Primary Government					3,000			2,937	55,000	15,400		76,337
Operating Transfers (Out)--Primary Government						(15,037)	(2,937)					(17,974)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,000</b>	<b>(15,037)</b>	<b>(2,937)</b>	<b>2,937</b>	<b>55,000</b>	<b>15,400</b>	<b>-</b>	<b>58,363</b>
Fund Balance--October 1, 2002	36,138	-	116,910	(2,514)	498	18,742	-	-	1,296	6,486	5,308	182,864
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	735	7,269	59,494	2,521	(284)	(18,742)	-	2,937	3,808	4,794	(1,746)	60,786
<b>Fund Balance--September 30, 2003</b>	<b>\$ 36,873</b>	<b>\$ 7,269</b>	<b>\$ 176,404</b>	<b>\$ 7</b>	<b>\$ 214</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,937</b>	<b>\$ 5,104</b>	<b>\$ 11,280</b>	<b>\$ 3,562</b>	<b>\$ 243,650</b>

**BARAGA COUNTY**  
**COMBINING BALANCE SHEET**  
**DEBT SERVICE FUNDS**  
**September 30, 2003**

**EXHIBIT L**

	Hospital Bond Debt	Jail Bond Debt	Total
<hr/>			
<b><u>ASSETS</u></b>			
Cash	\$ 439,927	\$ 72,913	\$ 512,840
Current Taxes Receivable	9,869	3,469	13,338
	<hr/>		
Total Assets	\$ 449,796	\$ 76,382	\$ 526,178
	<hr/>		
<b><u>LIABILITIES AND FUND EQUITY</u></b>			
Liabilities			
Due to Other Funds--Component Units	\$ 437,277		\$ 437,277
Deferred Revenue--Taxes	9,869	\$ 3,469	13,338
	<hr/>		
Total Liabilities	447,146	3,469	450,615
	<hr/>		
Fund Equity			
Fund Balance			
Reserved for Debt Service	2,650	72,913	75,563
	<hr/>		
Total Liabilities and Fund Equity	\$ 449,796	\$ 76,382	\$ 526,178
	<hr/>		

**BARAGA COUNTY****EXHIBIT M**
**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE--DEBT SERVICE FUNDS  
For the Fiscal Year Ended September 30, 2003**

	Hospital Bond Debt	Jail Bond Debt	Total
Revenues			
Taxes	\$ 404,895	\$ 142,226	\$ 547,121
State Grants	3,869	1,219	5,088
Interest Earned	4,734	585	5,319
Total Revenues	413,498	144,030	557,528
Expenditures			
Debt Service			
Principal	120,000	75,000	195,000
Interest and Fiscal Fees	69,138	63,250	132,388
Total Expenditures	189,138	138,250	327,388
Excess of Revenue Over (Under) Expenditures	224,360	5,780	230,140
Other Financing Sources (Uses)			
Operating Transfers (Out)--Component Unit	(225,719)		(225,719)
Total Other Financing Sources (Uses)	(225,719)	-	(225,719)
Fund Balance--October 1, 2002	4,009	67,133	71,142
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(1,359)	5,780	4,421
Fund Balance--September 30, 2003	\$ 2,650	\$ 72,913	\$ 75,563

**BARAGA COUNTY  
COMBINING BALANCE SHEET  
ENTERPRISE FUNDS  
September 30, 2003**

**EXHIBIT N**

**100% TAX PAYMENT FUNDS**

	1996	1997	1998	1999	2000	2001	2002	Total
<b><u>ASSETS</u></b>								
Cash and Cash Equivalents		\$ 60,330	\$ 5,847	\$ 1,832	\$ 2,688	\$ 5,953	\$ 9	\$ 76,659
Delinquent Taxes Receivable			544	7,871	12,378	40,395	221,457	282,645
Due From Other Funds			62,000	49,000	50,000	25,000		186,000
Forfeiture Fees Receivable				135	81	585		801
Total Assets	\$ -	\$ 60,330	\$ 68,391	\$ 58,838	\$ 65,147	\$ 71,933	\$ 221,466	\$ 546,105
<b><u>LIABILITIES AND FUND EQUITY</u></b>								
Liabilities								
Due to Other Funds							\$ 186,000	\$ 186,000
Due to State of Michigan						\$ 210		210
Total Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	210	186,000	186,210
Fund Equity								
Retained Earnings								
Unreserved/Undesignated	-	60,330	68,391	58,838	65,147	71,723	35,466	359,895
Total Fund Equity	-	60,330	68,391	58,838	65,147	71,723	35,466	359,895
Total Liabilities and Fund Equity	\$ -	\$ 60,330	\$ 68,391	\$ 58,838	\$ 65,147	\$ 71,933	\$ 221,466	\$ 546,105

**BARAGA COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES**  
**IN RETAINED EARNINGS--ENTERPRISE FUNDS**  
**For the Fiscal Year Ended September 30, 2003**

**EXHIBIT O**

	<b>100% TAX PAYMENT FUNDS</b>							
	1996	1997	1998	1999	2000	2001	2002	Total
Operating Revenues								
Interest and Penalties on Taxes			\$ 6,866		\$ 8,919	\$ 35,865	\$ 34,267	\$ 85,917
Total Operating Revenues	\$ -	\$ -	6,866	\$ -	8,919	35,865	34,267	85,917
Operating Expenses								
Stationary and Office Supplies						555	30	585
Postage						1,083		1,083
Total Operating Expense	-	-	-	-	-	1,638	30	1,668
Net Operating Income	-	-	6,866	-	8,919	34,227	34,237	84,249
Nonoperating Revenues (Expenses)								
Interest Earned on Deposits						3,429	1,229	4,658
Total Nonoperating Revenues (Expenses)	-	-	-	-	-	3,429	1,229	4,658
Net Income (Loss) Before Operating Transfers	-	-	6,866	-	8,919	37,656	35,466	88,907
Operating Transfers								
Transfer (Out)--Primary Government	(64,230)	-	-	-	-	-	-	(64,230)
Net Income (Loss)	(64,230)	-	6,866	-	8,919	37,656	35,466	24,677
Retained Earnings--October 1, 2002	64,230	60,330	61,525	58,838	56,228	34,067	-	335,218
Retained Earnings--September 30, 2003	\$ -	\$ 60,330	\$ 68,391	\$ 58,838	\$ 65,147	\$ 71,723	\$ 35,466	\$ 359,895

**BARAGA COUNTY**  
**COMBINING STATEMENT OF CASH FLOWS--INCREASE (DECREASE)**  
**IN CASH AND CASH EQUIVALENTS--ENTERPRISE FUNDS**  
**For the Fiscal Year Ended September 30, 2003**

**EXHIBIT P**

	<b>100% TAX PAYMENT FUNDS</b>							
	1996	1997	1998	1999	2000	2001	2002	Total
Cash Flows From Operating Activities								
Interest and Penalties on Taxes			\$ 6,866		\$ 8,919	\$ 35,865	\$ 34,267	\$ 85,917
Stationary, Postage and Printing						(1,638)	(30)	(1,668)
Delinquent Taxes Collected	\$ 843	\$ 766	11,469	\$ 938	23,561	198,179	443,995	679,751
Delinquent Taxes Purchased							(665,452)	(665,452)
Net Cash Provided by Operating Activities	843	766	18,335	938	32,480	232,406	(187,220)	98,548
Cash Flows From Noncapital Financing Activities								
(Increase) or Decrease in Other Receivables					369	(585)		(216)
(Increase) or Decrease in Advances to Other Funds	60,000	58,000	(17,000)		(50,000)	(25,000)		26,000
Increase or (Decrease) in Other Payables					(1,349)	210		(1,139)
Increase or (Decrease) in Advances From Other Funds						(212,000)	186,000	(26,000)
Transfers (Out)	(64,230)							(64,230)
Net Cash Provided by Noncapital Financing Activities	(4,230)	58,000	(17,000)	-	(50,980)	(237,375)	186,000	(65,585)
Cash Flows From Investing Activities								
Interest Earned						3,429	1,229	4,658
Net Cash Provided Investing Activities	-	-	-	-	-	3,429	1,229	4,658
Net Increase (Decrease) in Cash and Cash Equivalents	(3,387)	58,766	1,335	938	(18,500)	(1,540)	9	37,621
Cash and Cash Equivalents--October 1, 2002	3,387	1,564	4,512	894	21,188	7,493	-	39,038
Cash and Cash Equivalents--September 30, 2003	\$ -	\$ 60,330	\$ 5,847	\$ 1,832	\$ 2,688	\$ 5,953	\$ 9	\$ 76,659
Reconciliation of Operating Income to Net Cash Provided by Operating Activity								
Operating Income (Loss)			\$ 6,866		\$ 8,919	\$ 34,227	\$ 34,237	\$ 84,249
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities								
(Increase) Decrease in Assets								
Delinquent Taxes Receivable	\$ 843	\$ 766	11,469	\$ 938	23,561	198,179	(221,457)	14,299
Net Cash Provided by Operating Activities	\$ 843	\$ 766	\$ 18,335	\$ 938	\$ 32,480	\$ 232,406	\$ (187,220)	\$ 98,548

**BARAGA COUNTY**  
**COMBINING BALANCE SHEET**  
**TRUST AND AGENCY FUNDS**  
**September 30, 2003**

**EXHIBIT Q**

	Trust and Agency	Library	Total
<hr/>			
<b><u>ASSETS</u></b>			
Cash	\$ 495,587	\$ 14,447	\$ 510,034
	<hr/>		
Total Assets	\$ 495,587	\$ 14,447	\$ 510,034
	<hr/>		
<b><u>LIABILITIES</u></b>			
Due to Schools	\$ (290)		\$ (290)
Due to Townships	1,979		1,979
Due to Villages	307		307
Due to State of Michigan	223,765		223,765
Undistributed Penal Fines		\$ 14,402	14,402
Undistributed Interest		45	45
Undistributed Tax Collections	239,257		239,257
Other Trust Items Payable	30,569		30,569
	<hr/>		
Total Liabilities	\$ 495,587	\$ 14,447	\$ 510,034
	<hr/>		

**BARAGA COUNTY**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**ALL AGENCY FUNDS**  
**For the Fiscal Year Ended September 30, 2003**

**EXHIBIT R**

	Balance 10/01/02	Additions	Deductions	Balance 09/30/03
<b><u>TRUST AND AGENCY FUND</u></b>				
Assets				
Cash	\$ 288,554	\$ 5,220,594	\$ 5,013,561	\$ 495,587
Total Assets	\$ 288,554	\$ 5,220,594	\$ 5,013,561	\$ 495,587
Liabilities				
Due to Other Funds	\$ 18,812	\$ 2,147,113	\$ 2,165,925	-
Due to Component Units	2,855	256,409	259,264	-
Due to Schools	-	348,034	348,324	\$ (290)
Due to Townships	2,016	171,524	171,561	1,979
Due to Villages	1,366	165,048	166,107	307
Due to State of Michigan	221,756	1,820,885	1,818,876	223,765
Undistributed Tax Collections	13,727	4,102,572	3,877,042	239,257
Other Trust Items Payable	28,022	105,914	103,367	30,569
Total Liabilities	\$ 288,554	\$ 9,117,499	\$ 8,910,466	\$ 495,587
<b><u>LIBRARY FUND</u></b>				
Assets				
Cash	\$ 11,959	\$ 46,179	\$ 43,691	\$ 14,447
Liabilities				
Undistributed Interest	48	187	190	45
Undistributed Penal Fines	11,911	45,992	43,501	14,402
Total Liabilities	\$ 11,959	\$ 46,179	\$ 43,691	\$ 14,447



**BARAGA COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (4)**  
**For the Fiscal Year Ended September 30, 2003**

**SCHEDULE 1**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Revenue Recognized</u>	<u>Federal Expenditures (1)</u>
<b>US Department of Health and Human Services</b>				
Passed Through Michigan Family Independence Agency				
Title IV-D, Child Support Enforcement				
Cooperative Reimbursement Program	93.563	CS/PA-03-07002	\$ 24,052	\$ 24,052
ADC Incentive (2)	93.560	(5)	13,123	
Title IV-B, Family Preservation and Support Services				
Strong Families/Safe Children	93.556	(5)	1,957	1,957
<b>Total Department of Health and Human Services</b>			<b>39,132</b>	<b>26,009</b>
<b>US Department of Housing and Urban Development</b>				
Passed Through Michigan Department of Commerce				
Community Development Block Grant/Small Cities				
2000-2002 Housing Rehabilitation	14.228	MSC 2000-0718-HOA	2,937	2,937
2003-2004 Housing Rehabilitation	14.228	MSC 2003-0718-HOA	19,423	19,423
<b>Total US Department of Housing and Urban Development</b>			<b>22,360</b>	<b>22,360</b>
<b>Federal Emergency Management Agency</b>				
Passed Through Michigan Department of State Police				
Emergency Management Performance Grant	83.552	(5)	7,268	7,268
<b>Total Federal Emergency Management Agency</b>			<b>7,268</b>	<b>7,268</b>
<b>US Department of Justice</b>				
Passed Through Michigan Department of State Police				
Domestic Preparedness Equipment Grant	16.007	(5)	33,950	33,950
<b>Total US Department of Justice</b>			<b>33,950</b>	<b>33,950</b>
<b>TOTAL PRIMARY GOVERNMENT</b>			<b>\$ 102,710</b>	<b>\$ 89,587</b>
<b>COMPONENT UNITS:</b>				
<b>DEPARTMENT OF PUBLIC WORKS</b>				
<b>US Department of Agriculture</b>				
Passed Through US Rural Utilities Service				
Water and Waste Water Disposal Systems for				
Rural Communities	10.760	(5)	\$ 715,000	\$ 713,933
<b>Total US Department of Agriculture</b>			<b>715,000</b>	<b>713,933</b>
<b>TOTAL BOARD OF PUBLIC WORKS--COMPONENT UNIT</b>			<b>\$ 715,000</b>	<b>\$ 713,933</b>
<b>ROAD COMMISSION</b>				
<b>US Department of Agriculture</b>				
Direct From Natural Resources Conservation Service				
Emergency Watershed Protection Restoration	10.904	69-5D21-2-64	\$ 20,664	
Emergency Watershed Protection Restoration	10.904	69-5D21-3-27	21,757	\$ 21,757
<b>Total US Department of Agriculture</b>			<b>42,421</b>	<b>21,757</b>
<b>US Department of Transportation</b>				
Passed Through Michigan Department				
of Transportation				
Highway Research, Planning and				
Construction				
Surface Transportation Program	20.205	RR 3564 54834A		5,086
Surface Transportation Program	20.205	RR 3613 74840A		13,177
Emergency Relief Program	20.205	RR 3613 74840A		10,781
<b>Total US Department of Transportation</b>			<b>-</b>	<b>29,044</b>
<b>Federal Emergency Management Agency</b>				
Passed Through Michigan Department of State Police				
Public Assistance Grants	83.544	013-0c6f6-00	130,581	285,620
<b>Total Federal Emergency Management Agency</b>			<b>130,581</b>	<b>285,620</b>
<b>TOTAL ROAD COMMISSION--COMPONENT UNIT (3)</b>			<b>\$ 173,002</b>	<b>\$ 336,421</b>
<b>TOTAL COMPONENT UNITS</b>			<b>\$ 888,002</b>	<b>\$ 1,050,354</b>
<b>GRAND TOTAL--REPORTING ENTITY</b>			<b>\$ 990,712</b>	<b>\$ 1,139,941</b>

See the Accompanying Notes to the Schedule of Expenditures of Federal Awards.

BARAGA COUNTY  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended September 30, 2003

1. Federal expenditures represent only the program expenditures that are eligible for Federal participation.
2. Federal aid revenues are based on support collections in the Friend of the Court Office. Separate accounting for expenditures is not required.
3. The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the fiscal year ended September 30, 2003, the Federal aid expended by the Road Commission (component unit) was \$753,858 for contracted projects and \$336,421 for negotiated projects. Contracted projects are defined as projects performed by private contractors paid for and administrated by MDOT. The contracted Federal projects are not subject to single audit requirements by the road commissions, as they are included in MDOT's single audit. Negotiated projects are defined as projects performed by Road Commission employees or private contractors paid for and administrated by the Road Commission and are subject to a single audit if the expenditures exceeded \$300,000. A separate single audit was performed during the fiscal year ended September 30, 2003, and is reported under a separate cover for the Road Commission.
4. This schedule is presented on the modified accrual basis of accounting, please refer to Note B of the financial statement notes for other significant accounting policies.
5. The pass-through grantor's number was not available.

**Baraga County**  
**Schedule of Findings and Questioned Costs**  
**For the Period Ended September 30, 2003**

**Section I--Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report issues: qualified

Internal control over financial reporting:

- |   |   |  |
|---|---|--|
| • Material weakness(es) identified?   | _____ Yes                                     | _____ <input checked="" type="checkbox"/> No |
| • Reportable condition(s) identified that are not considered to be material weaknesses? | _____ <input checked="" type="checkbox"/> Yes | _____ None reported                          |
| Noncompliance material to financial statements noted?                                   | _____ Yes                                     | _____ <input checked="" type="checkbox"/> No |

*Federal Awards*

Internal control over major programs:

- |   |           |   |
|---|-----------|---|
| • Material weakness(es) identified?   | _____ Yes | _____ <input checked="" type="checkbox"/> No            |
| • Reportable condition(s) identified that are not considered to be material weaknesses? | _____ Yes | _____ <input checked="" type="checkbox"/> None reported |

Type of auditor's report issued on compliance for major programs: unqualified

- |  |           |  |
|--|-----------|--|
| Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? | _____ Yes | _____ <input checked="" type="checkbox"/> No |
|--|-----------|--|

**Baraga County**  
**Schedule of Findings and Questioned Costs**  
**For the Period Ended September 30, 2003**

**Section I--Summary of Auditor's Results**  
**(Continued)**

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
10.760	Water and Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish  
between type A and type B programs:

\$300,000

Auditee qualified as low-risk auditee?

\_\_\_\_\_ Yes    ✓ No

**Section II--Financial Statement Findings**

**REPORTABLE CONDITIONS**

Although our examination disclosed no material weaknesses in internal controls, we wish to point out the following reportable conditions which were included in our previous (2002) Baraga County Report of Comments and Recommendations, and are being repeated in this report because we found no significant improvements in the reported conditions.

**Fixed Asset Records**

*Finding 97-2*

*Condition:* The county does not maintain adequate internal controls for fixed assets and a general fixed asset account group is not maintained in accordance with generally accepted accounting principles. Baraga County audit reports have included comments and recommendations relative to the county's failure to record its general fixed assets in the financial records.

*Criteria:* According to generally accepted accounting principles, the county is required to maintain an inventory of all fixed assets owned by the county. It is the responsibility of the county to create and update the fixed assets for additions and deletions.

*Recommendation:* We recommend that the county develop a property management system that includes all of the following steps:

- 1) An inventory of all fixed assets owned by the county should be taken and included in the permanent records of the county on at least an annual basis.

**Baraga County**  
**Schedule of Findings and Questioned Costs**  
**For the Period Ended September 30, 2003**

**Section II--Financial Statement Findings**  
**(Continued)**

REPORTABLE CONDITIONS (Continued)

- 2) All assets owned by the county should be permanently labeled in some manner such as individual tags. This will not only facilitate the inventory suggested above, but will also make it more difficult for assets of the county to be removed or used by unauthorized personnel.
- 3) As part of the property management system, the county should keep records on all of the assets owned by the county, which includes the following information:

- Date of Acquisition
- Tag Number
- Description of Property
- Original Cost of Asset
- Location of Asset
- Date of Disposal (when sold or scrapped)
- Salvage Value (if any)

Developing a property management system that includes the above steps will not only facilitate the preparation of financial statements related to fixed assets and provide a system of protection for the assets; it will also provide an excellent record for insurance and replacement purposes as well. GASB Statement No. 34 requires capital assets to be included in the financial statements of the County.

Trust and Agency Account Balances

*Finding 01-1*

*Condition:* In the prior year, we commented on various unreconciled trust and agency account balances. In the current year, we found the county treasurer and clerk have made significant progress in correcting most of the balances. However, our review indicates that there are still some balances that are being researched and have not yet been corrected.

*Criteria:* Strong internal controls provide for the reliability of financial reporting. Reconciliation of account balances is a control activity related to reliable financial reporting.

*Recommendation:* We recommend that the county review all accounts with lingering, undistributed and/or undetermined balances and make appropriate distributions or correcting entries. We also recommend that the county reconcile all trust and agency balances on a regular basis (i.e., monthly, quarterly, yearly depending on activity level). For each trust and agency balance, a subsidiary listing should exist detailing the party or parties to whom the balance is due.

*Management's Response:* Management is working on correcting the errors in the trust and agency fund and expects to have these errors resolved in 2004.

**Baraga County**  
**Schedule of Findings and Questioned Costs**  
**For the Period Ended September 30, 2003**

**Section II--Financial Statement Findings**  
**(Continued)**

NONCOMPLIANCE WITH STATE STATUTES

Our examination revealed the following instances of noncompliance with State statutes.

Board of Commissioners--Expenditures in Excess of Appropriations

*Finding 97-7*

The County's 2003 General Appropriations Act (budget) provided for the expenditures of the general and special revenue funds to be controlled to the activity level by the county board of commissioners.

*Condition:* As detailed in Note B to the financial statements, actual 2003 expenditures exceeded the board's approved budget allocations for one special revenue fund.

*Criteria:* The expenditure of funds in excess of appropriations is contrary to the provisions of Section 17 of Public Act 2 of 1968, the Uniform Budgeting and Accounting Act.

We direct the board of commissioners, the county's chief administrative officer (county clerk), and those boards and commissions and administrative personnel responsible for administering the various activities of the General Fund and special revenue funds of the county, develop budgetary control procedures for those activities and funds which will ensure that expenditures do not exceed amounts authorized in the General Appropriations Act or amendments thereof. These procedures should include a requirement that each county department head be responsible for monitoring the budgetary status of his or her activity(ies) monthly. Department heads must also be required to make formal requests to the county clerk for budget amendments prior to incurring expenditures in excess of board authorized amounts.

*Management's Response:* Management indicated that they would make an effort to correct the problem.

Sheriff Department--Jail Commissary

*Finding 98-2*

*Condition:* The Sheriff Department operates a commissary for the benefit of the inmates. Revenue from the sale of commissary items is deposited to a bank account under the custody of the Sheriff Department. The bank account is used for purchases of commissary items for resale to inmates and other items for the benefit of the inmates.

*Criteria:* The Michigan Department of Treasury Uniform Chart of Accounts for Counties and Local Units of Government in Michigan requires that the commissary be accounted for in fund number 595 - Commissary Fund.

**Baraga County**  
**Schedule of Findings and Questioned Costs**  
**For the Period Ended September 30, 2003**

**Section II--Financial Statement Findings**  
**(Continued)**

NONCOMPLIANCE WITH STATE STATUTES (Continued)

*Recommendation:* We recommend that the county board of commissioners pass a resolution providing for the county treasurer to establish fund number 595 - Commissary Fund. We also recommend that the sheriff department deposit all commissary revenue with the county treasurer at least monthly. Commissary Fund expenditures should be submitted to the board of commissioners for approval whenever possible.

An imprest cash or checking account may be established to pay suppliers that require immediate payment. When a imprest account is used, the sheriff's department should request reimbursement, at least monthly from the clerk's office, for expenditures made from this account. The imprest account should be reconciled monthly.

*Management's Response:* At the November 20, 2000 board meeting, it was the decision of the board to have the sheriff keep the fund at the jail due to the amount of work and time the above listed procedures would entail.

**Section III--Federal Award Findings and Questioned Costs**

No matters were reported.



JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

JAY B. RISING  
STATE TREASURER

January 30, 2004

County of Baraga  
County Board of Commissioners  
16 North 3rd Street  
L'Anse, Michigan 49946

RE: Report on Compliance and on Internal Control Over Financial Reporting  
Based on an Audit of Financial Statements Performed in Accordance With  
Government Auditing Standards

Dear Commissioners:

We have audited the financial statements of Baraga County as of and for the year ended September 30, 2003, and have issued our report thereon dated January 30, 2004. As described more fully in Note A, the county has not maintained a record of its general fixed assets except those recorded by the Road Commission and, accordingly, the statement of general fixed assets included in this report does not include all of the general fixed assets of the county, as required by accounting principles generally accepted in the United States of America. Determination of the value of the county's general fixed assets was not possible. We did not audit the financial statements of the County Hospital (component unit--enterprise fund type), which statements reflect total assets of \$13,611,626 as of September 30, 2003 and total revenues of \$17,128,564 for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the general purpose financial statements, insofar as it relates to the amounts included for the County Hospital (enterprise fund type), is based on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance--As part of obtaining reasonable assurance about whether Baraga County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance which



we have reported to management of Baraga County as described in the accompanying Schedule of Findings and Questioned Costs as items 97-7 and 98-2.

Internal Control Over Financial Reporting--In planning and performing our audit, we considered Baraga County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Baraga County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 97-2 and 01-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above we do not consider any to be material weaknesses.

This report is intended solely for the information and use of the management, Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Cary Jay Vaughn, CPA, CGFM  
Audit Manager  
Local Audit and Finance Division



JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

JAY B. RISING  
STATE TREASURER

January 30, 2004

County of Baraga  
County Board of Commissioners  
13 North 3rd Street  
L'Anse, Michigan 49946

RE: Report on Compliance With Requirements Applicable to Each Major Program and  
Internal Control Over Compliance in Accordance With OMB Circular A-133

Dear Commissioners:

Compliance--We have audited the compliance of Baraga County with the types of compliance requirements described in the US Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major Federal programs for the year ended September 30, 2003. As described more fully in Note A, the county has not maintained a record of its general fixed assets except those recorded by the Road Commission and, accordingly, the statement of general fixed assets included in this report does not include all of the general fixed assets of the county, as required by accounting principles generally accepted in the United States of America. Determination of the value of the county's general fixed assets was not possible. We did not audit the financial statements of the County Hospital (component unit--enterprise fund type), which statements reflect total assets of \$13,611,626 as of September 30, 2003 and total revenues of \$17,128,564 for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the general purpose financial statements, insofar as it relates to the amounts included for the County Hospital (enterprise fund type), is based on the report of the other auditors. Baraga County's major Federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of Baraga County's management. Our responsibility is to express an opinion on Baraga County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program.

An audit includes examining, on a test basis, evidence about Baraga County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Baraga County's compliance with those requirements.

In our opinion, Baraga County complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended September 30, 2003.

Internal Control Over Compliance--The management of Baraga County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered Baraga County's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the management, Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Cary Jay Vaughn, CPA, CGFM  
Audit Manager  
Local Audit and Finance Division